

***FINANCIAL STATEMENTS***  
***FOR THE YEAR ENDED JUNE 30, 2013***



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## COMPANY INFORMATION

|   |   |   |
|---|---|---|
| <b>Board of Directors</b>                                   | Mian Ehsan ul Haq<br><i>Chairman &amp; Chief Executive Officer</i><br>Farooq Bin Habib<br>Ashraf Liaquat Ali Khan<br>Muhammad Junaid Godil<br>Ahsan Zia<br>Mazhar Abbas<br>Waseem ul Hassan   | Executive<br><br>Executive<br>Independent<br>Executive<br>Executive<br>Executive<br>Executive |
| <b>Chief Financial Officer</b>                              | Mazhar Abbas  |   |
| <b>Audit Committee</b>                                      | Ashraf Liaquat Ali Khan (Chairman)<br>Farooq Bin Habib<br>Ahsan Zia   |   |
| <b>Human Resource and Remuneration (HR&amp;R) Committee</b> | Ashraf Liaquat Ali Khan (Chairman)<br>Mian Ehsan Ul Haq<br>Waseem ul Hasan  |   |
| <b>Company Secretary</b>                                    | Arshad Ali  |   |
| <b>Auditors</b>   | Aslam Malik & Co.<br>Chartered Accountants  |   |
| <b>Legal Advisers</b>                                       | Tassawur Ali Hashmi<br>Advocates, Karachi   |   |
| <b>Registered Office</b>                                    | 2nd Floor, Pace Shopping Mall,<br>Fortress Stadium, Lahore Cantt.<br>Lahore, Pakistan.<br>Tel: (042) 36623005/6/8<br>Fax: (042) 36623121-36623122   |   |
| <b>Corporate Office</b>                                     | 4 <sup>th</sup> Floor, Block B, C & D<br>Lakson Square Building No.1<br>Sarwar Shaheed Road, Karachi<br>Tel: (021) 111 226 226<br>Fax: (021) 35656710, 35656725   |   |
| <b>Registrar and Shares Transfer Office</b>                 | Corplink (Pvt.) Limited<br>Wings Arcade, 1-K,<br>Commercial Model Town,<br>Lahore<br>Tel: (042) 35839182  |   |
| <b>Bankers</b>  | Askari Bank Limited<br>Bank Alfalah Limited<br>Bank Al Habib Limited<br>Faysal Bank Limited<br>Habib Metropolitan Bank Limited<br>JS Bank Limited<br>KASB Bank Limited<br>MCB Bank Limited<br>NIB Bank Limited<br>Silk Bank Limited<br>Soneri Bank Limited<br>Standard Chartered Bank (Pakistan) Ltd<br>United Bank Limited |   |

## MISSION

Our mission is to strive to become the **Leading Brokerage and its Related Business Company and Best Employer** in each market that we operate. We will adhere to the following principles and provide execution to direct our future. We shall experience growth through building quality relationships, knowledge, service and innovation.

### *Dedicated to Make it Happen*

**CLIENTS:** We will offer every Client: Fast & Friendly Service, Commitment, Cleanliness, Dedication, Excellence, & Trust.

**ASSOCIATES:** We will offer every associate: Development, Loyalty, Opportunities, Open-Door, Teamwork, Training, & Benefits.

**IMAGE:** We will operate every facility: Professionally, Helpful, Positive, Bright, Clean, & Consistent.

**COMMUNITY:** We will offer every community: Involvement, Support, Stability, Respect, Assistance & Environmental Awareness.

**STANDARDS:** We will operate our business: Ethically, Competitively, Safely, Innovative, with High Expectations, & Quality Products.

## VISION

Our Vision is linked with our Mission to be the **Leading Brokerage and its Related Business Company and Best Employer** in each market we operate. Our Vision will guide and direct us towards our mission, and communicates what we believe in as an operations group.

### *We Believe In*

- Obligation to serve the *Shareholders' Interest*
- Providing Clients with *Consistent Outstanding Services*
- Showing and encouraging *Teamwork*
- Maintaining and developing high standards of *Image*
- Treating people with *Respect*
- Creating and developing a *Positive Environment*
- Building a *Reputation For Success*
- Providing services with the *Highest Quality*
- Operating with the highest *Integrity & Honesty*
- Exploring and encouraging *New & Innovative Ideas*
- Providing positive *Recognition & Reinforcement*
- Becoming a dependant fiber in every *Community*
- Continue to focus our associates with *Development & Training*
- Building and consistently growing overall *Revenues*
- Provide every Client with a *Pleasant Experience*
- Stay focused on our business by *Listening Intently*

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 18<sup>th</sup> Annual General Meeting of the Shareholders of First Capital Equities Limited (“the Company”) will be held on Thursday, 31 October 2013 at 4:00 p.m. at the Registered Office of the Company, 2<sup>nd</sup> Floor, Pace Shopping Mall, Fortress Stadium, Lahore Cantt. Lahore, to transact the following business:

### Ordinary business

1. To confirm the minutes of last Annual General Meeting held on 31 October 2012;
2. To receive, consider and adopt the audited financial statements of the Company for the year ended 30 June 2013 together with the Directors' and Auditors' reports thereon;
3. To appoint Auditors of the Company for the year ending 30 June 2014 and to fix their remuneration;

### Special business

4. To consider and if deemed fit, pass the following special resolutions with or without modifications:

“**RESOLVED THAT** the Authorized Share Capital of the Company be and is hereby increased from Rs. 1,100,000,000 divided into 110,000,000 ordinary shares of Rs. 10/- each to Rs. 1,520,000,000 divided into 152,000,000 ordinary shares of Rs. 10/- and the words and figures in clause V of Memorandum of Association and clause 4 of Articles of Association of the Company be and are hereby amended accordingly.”

“**RESOLVED FURTHER THAT** any one of the Directors or the Chief Executive or the Company Secretary be and is hereby authorized to do legal needful in connection with the above and to file the documents with the Company Registration Office, Lahore accordingly.”

By order of the Board

Lahore  
October 09, 2013

**Arshad Ali**  
Company Secretary

### Notes:

- 1) The register of members will remain closed from 24 October 2013 to 31 October 2013 (both days inclusive). Transfers received at Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial Model Town, Lahore, the Registrar and Shares Transfer Office of the Company, by the close of business on 23 October 2013 will be treated in time for the purpose of Annual General Meeting.
- 2) A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. In order to be effective, proxies must be received by the Company at the Registered Office not later than 48 hours before the time for holding the meeting.
- 3) In order to be valid, an instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or notarially certified copy of such power of attorney, must be deposited at the registered office of the Company, 2<sup>nd</sup> Floor, Pace Shopping Mall, Fortress Stadium, Lahore Cantt. Lahore not less than 48 hours before the time of the meeting.
- 4) a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original CNIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of

Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of meeting.

- b) For appointing of proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account/sub-account number together with attested copy of their CNIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and CNIC numbers. The proxy shall produce his/her original CNIC or Passport at the time of meeting. In case of Corporate entity, resolution of the Board of Director/Power of attorney along with specimen signatures shall be submitted (unless submitted earlier) along with the proxy form.
- 5) Members are requested to notify any change, if any, in their registered address immediately.

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

This statement sets out the material facts pertaining to the Special Business to be transacted at the Annual General Meeting of the Company to be held on 31 October 2013.

#### **INCREASE IN AUTHORIZED SHARE CAPITAL**

The Board of Directors' in their meeting held on 03 October 2013 have declared 40% right Shares in proportion of 40 right shares for every 100 shares held by the members on the entitlement day. At present the Company has an Authorized Share Capital of Rs. 1,100,000,000 divided into 110,000,000 ordinary shares of Rs. 10/- each out of which 108,031,500 ordinary shares are issued and fully paid up. In order to facilitate the allotment of 40% Right Shares, the Board of Directors' have recommended that the Authorized Share Capital of the Company be increased from 1,100,000,000 to Rs. 1,520,000,000 divided into 152,000,000 ordinary shares of Rs. 10/- each. This increase in capital will also necessitate amendments in clause V of the Memorandum of Association and in clause 4 of the Articles of Association of the Company accordingly and will be red as under:

#### **CLAUSE-V OF THE MEMORANDUM OF ASSOCIATION**

The Authorized Capital of the Company is Rs. 1,520,000,000 (Rupees One Billion Five Hundred Twenty Million only) divided into 152,000,000 (One Hundred Fifty Two Million) ordinary shares of Rs. 10/- (Rupees ten only) each. The Company shall have the power to increase, reduce, consolidate or re-organize the said capital and to divide the shares in the capital into several classes in accordance with the provisions of the Companies Ordinance, 1984.

#### **CLAUSE-4 OF THE ARTICLES OF ASSOCIATION**

The Authorized Capital of the Company is Rs. 1,520,000,000 (Rupees One Billion Five Hundred Twenty Million only) divided into 152,000,000 (One Hundred Fifty Two Million) ordinary shares of Rs. 10/- (Rupees ten only) each.

#### **INSPECTION OF DOCUMENTS**

Copies of Memorandum and Articles of Association, Companies Ordinance, 1984, Statement under section 160(1)(b) of the Companies Ordinance, 1984, requisitions from the shareholders of the Company to call for Annual General Meeting, financial statements of the Company and other related information, may be inspected during the business hours on any working day at the Registered Office of the Company from the date of publication of this notice till the conclusion of the Annual General Meeting.

#### **INTEREST OF DIRECTORS AND THEIR RELATIVES**

The Directors of the Company and their relatives (if any) are interested to the extent of their shareholding which may also be inspected during the business hours on any working day at the Registered Office of the Company from the date of publication of this notice till the conclusion of the Annual General Meeting.



## FINANCIAL HIGHLIGHTS - LAST SIX YEARS

| PARTICULARS | FY 13 | FY 12 | FY 11 | FY 10 | FY 09 | FY 08 | FY 07 |
|-------------|-------|-------|-------|-------|-------|-------|-------|
|-------------|-------|-------|-------|-------|-------|-------|-------|

( Rupees in million )

## Profit and Loss Account

|                            |          |          |          |          |          |          |        |
|----------------------------|----------|----------|----------|----------|----------|----------|--------|
| Revenues                   | 327.16   | 1,364.98 | 455.86   | 439.44   | 935.50   | 1,107.89 | 586.93 |
| Expenses                   | 500.46   | 1,412.56 | 675.01   | 716.09   | 1,176.68 | 741.41   | 398.64 |
| (Loss) / Profit before tax | (176.11) | (66.99)  | (364.09) | (301.16) | (371.44) | 357.37   | 408.02 |
| (Loss) / Profit after tax  | (176.94) | (68.33)  | (366.23) | (305.66) | (380.18) | 293.09   | 354.18 |

## Balance Sheet

|                               |          |          |          |          |          |          |          |
|-------------------------------|----------|----------|----------|----------|----------|----------|----------|
| Paid up capital               | 1,080.32 | 1,080.32 | 1,080.32 | 1,080.32 | 1,080.32 | 864.25   | 540.16   |
| Shareholder's equity          | 225.09   | 342.54   | 715.42   | 2,084.34 | 1,710.98 | 1,591.90 | 1,298.82 |
| Liabilities                   | 3,819.15 | 4,018.80 | 4,337.65 | 4,038.57 | 4,422.78 | 4,992.87 | 2,157.80 |
| Total assets                  | 4,044.26 | 4,361.34 | 5,053.17 | 6,122.91 | 6,133.76 | 6,584.78 | 3,456.61 |
| Investment value at cost      | 203.35   | 400.44   | 501.74   | 539.58   | 639.44   | 337.84   | 359.64   |
| Investment value at mkt price | 131.10   | 252.07   | 532.50   | 1,693.34 | 509.18   | 328.73   | 579.38   |

## Ratios

|                                  |         |         |         |         |         |       |       |
|----------------------------------|---------|---------|---------|---------|---------|-------|-------|
| (Loss) / Earning per share (Rs.) | (1.64)  | (0.63)  | (3.39)  | (2.83)  | (3.52)  | 2.71  | 4.30  |
| Break up value (Rs.)             | 2.08    | 3.17    | 6.62    | 19.29   | 15.84   | 18.42 | 24.05 |
| Return on Equity (%)             | (78.61) | (19.95) | (51.18) | (14.66) | (22.22) | 18.41 | 29.48 |

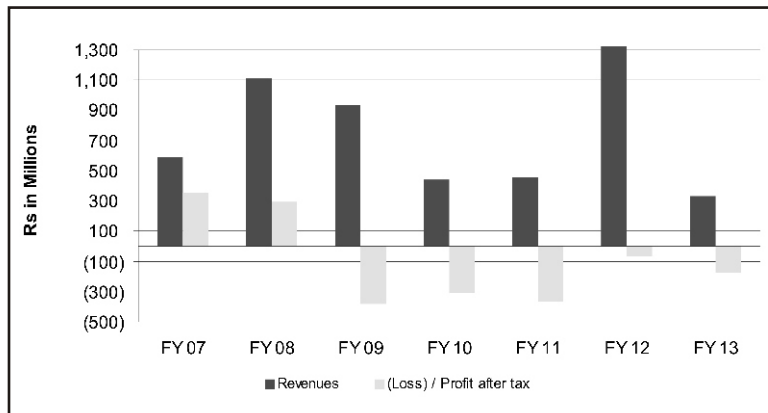
## Payout (%)

|       |     |   |   |   |   |    |    |
|-------|-----|---|---|---|---|----|----|
| Cash  | -   | - | - | - | - | -  | -  |
| Bonus | -   | - | - | - | - | 25 | 60 |
| Right | 40% | - | - | - | - | -  | -  |

EPS for year 2008 of Rs 3.39 per share has been restated due to the issue of bonus shares during the year.

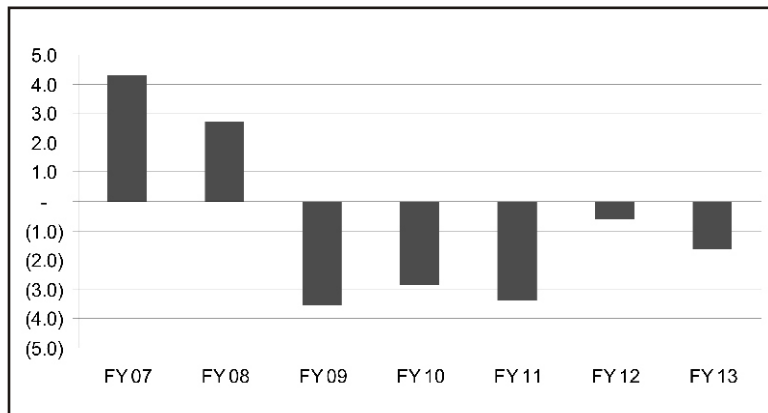
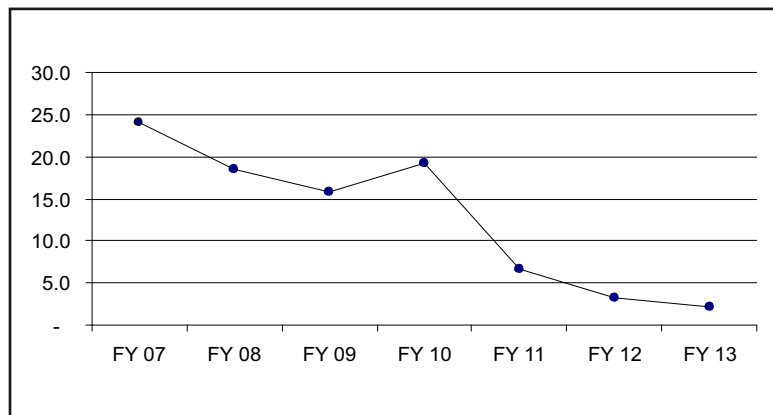
EPS for year 2007 of Rs 7.09 per share has been restated due to the issue of bonus shares during the year.

**GRAPHICAL PRESENTATION**



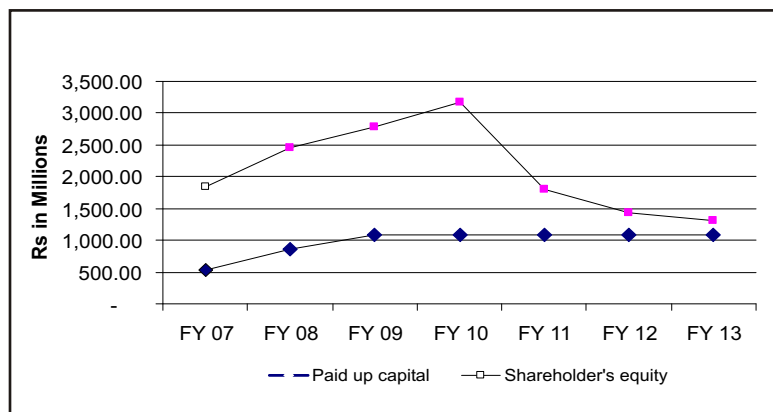
*Revenue vs (Loss)/Profit After Tax*

*Break up Value*



*Earnings Per Share*

*Paid up Capital Vs Shareholder's Equity*



## DIRECTORS' REPORT

The Board of Directors of First Capital Equities Limited (“the Company” or “FCEL”) are pleased to present the Annual Report of 2013 along with the audited financial statements of the Company for the year ended June 30, 2013. FCEL is a leading brokerage house of Pakistan that provides a complete range of stock brokerage nationwide to a substantial and diversified clientele that includes corporations, financial institutions, retail clients, foreign investors and high net worth individuals.

### CAPITAL MARKET

The upbeat performance of KSE-100 index continued during the fiscal year 2013 where the listed equities generated a handsome return of 52%. Total market capitalization also surged by 47% to PRs5.15tn from that of PRs3.52tn on June 30, 2012.

This exuberant performance at KSE was primarily backed by number of positive developments that triggered bullish spell at local bourses during FY13. The improved Pak-US relations on the back of re-opening of Natao supplies that also earned Pakistan US\$1.1 billion under the Coalition Support Fund (CSF). In May 2013, Pakistan achieved a crucial milestone in its journey of becoming a stable and mature democratic state by holding a fairly peaceful elections. That said, with greater political clarity and an investor-friendly government, investors' confidence (particularly offshore funds) improved significantly. Meanwhile, the persistently contained CPI monthly readings built a positive inflation environment for FY13 and on the same grounds SBP lowered its discount rate. Unprecedented influx of remittances provided much needed support to the external position of the economy. In addition, robust earnings announcement by the corporate sector also contributed significantly in propelling renewed interest in the market. Foreign investors also remained active with cumulative figure of SCRA marked at ~US\$188mn on end-June 2013.

In addition to improved market sentiments, trading activity also remained upbeat. That said, the trading volume registered an increase of 55% YoY. KSE witnessed 201 million shares changing hands (PRs5.76bn or US\$60mn) in the ready market while the average daily volume on the same counter was recorded at 130mn shares (PRs3.97bn or US\$45mn) in the last year.

### YOUR COMPANY'S PERFORMANCE

Given below is the financial summary of your Company for the year ended June 30, 2013.

*All Figures are in Million except EPS*

|   | FY 13    | FY 12   |
|---|----------|---------|
| Brokerage income  | 83.67    | 80.35   |
| Capital gain / (loss)   | 10.06    | 0.75    |
| Income on placement   | -        | 32.89   |
| Other income  | 210.64   | 786.39  |
| Unrealized gain on re-measurement of investment property                          | 22.79    | 464.60  |
| Loss on re-measurement of investments at fair value<br>through profit or loss net | (2.81)   | (19.42) |
| Loss after tax  | (176.94) | (68.33) |
| Earnings Per Share (EPS) Rs*  | (1.64)   | (0.63)  |

Your Company reported a loss of Rs 177 million in FY13. The brokerage income of your Company improved by 4% YoY at Rs 84 million during the year. The un-realized gain on re-measurement of investment property and other operating income were recorded at Rs 23 millions and Rs 211 million, respectively. The Company booked Capital gain of Rs 10 million (up 13.5x YoY). On overall basis, the income segment depicted bleak performance and recorded at Rs 327 millions a fall of 76% YoY. Operating expenses remained 88% lower at Rs 125 million while financial expenses registered 7% decline at Rs 376 million. That said, the company ended the year with net loss of Rs 177 million, as against loss of Rs 68 million in the last year.

During the year, the guarantee of T Bills amounting of Rs. 8,905,068/- has been given to Karachi Stock Exchange Limited against exposure by parent company, by replacing an irrevocable guarantee of Rs. 9 million to Karachi Stock Exchange Limited against exposure by a commercial bank on behalf of the Company.

### **FUTURE OUTLOOK**

Going forward, your Company is likely to perform better in-line with the upbeat market performance. With greater political clarity and an investor-friendly government, investors' confidence (particularly offshore funds) is likely to be maintained, thereby, propelling renewed interest in the stock market. A re-entry into IMF program has helped the country in avoiding a balance-of-payment crisis and complete collapse of the currency. It would allow the economic managers to trigger reform agenda announced in Budget FY14 i.e, fiscal consolidation, structural reforms, broadening tax base, restructuring Public Sector Entities, eliminating untargeted subsidies, building reserves, etc. Meanwhile, any breakthrough in the talks with the Taliban would support the valuations. Despite YTD outperformance, Pakistan stock market (KSE-100) still trades at discount to both MSCI EM and MSCI FM - leaving room for upside. Strong corporate earnings growth will ensure valuations to remain at attractive levels even after healthy run-up in equity prices during FY13.

Your company remains committed to maximize the shareholder's wealth while keeping in view the interest of all stakeholders. As previously, your Company would try its best to cope with the challenges head on while remaining focused on improving service quality, expanding clientele and controlling cost.

### **PAYOUT FOR THE SHAREHOLDERS**

Keeping in view the deteriorated capital market position, which also affected the Company, the Board of Directors does not recommend any payout this year like dividend and bonus shares but the board has declared 40% right shares at par.

### **RISK MANAGEMENT**

The Company's principal business activities by their nature engender significant market and credit risks. In addition, the Company is also subject to various other risks including operating risk, legal risk and funding risk. Effective identification, assessment and management of these risks are critical to the success and stability of the Company. As a result comprehensive risk management policies and procedure have been established to identify, control and monitor each of these major risks.

### **COMPANY PERFORMANCE IN PAST YEARS**

Past six years Company performance chart is attached.

**EARNINGS PER SHARE**

Loss per share for the year ended June 30, 2013 was Rs. (1.64) as compared to loss per share Rs. (0.63) in the last year.

**CHANGES IN THE BOARD OF DIRECTORS**

During the financial year Mr. Waseem ul Hassan was appointed as director by the Board of Directors in place of Mr. Kosala Udayanga Dodampe Gamage.

**BOARD MEETINGS DURING THE YEAR**

Four meetings of the Board of Directors were held during the year. Attendance by each director is as under:

| Directors                                     | Meetings Attended |
|---|-------------------|
| Mian Ehsan ul Haq                             | 4                 |
| Mr. Ashraf Liaquat Ali Khan                   | 2                 |
| Mr. Farooq Bin Habib                          | 4                 |
| Mr. Mazhar Abbas                              | 4                 |
| Mr. Ahsan Zia                                 | 1                 |
| Mr. Muhammad Junaid Godil                     | 4                 |
| Mr. Kosala Udayanga Dodampe Gamage (Resigned) | -                 |
| Mr. Waseem ul Hassan                          | 1                 |

**TRADING BY DIRECTORS**

During the year under review no trading in shares of the Company shares were carried out by the Directors, CEO, CFO, Company Secretary and their spouses and any minor.

**AUDIT COMMITTEE**

The Board of directors in compliance with the Code of Corporate Governance has established an Audit Committee. Five meeting of the Audit committee were held during the year. Attendance by each member is as under:

| Audit Committee Member                 | Meetings Attended |
|--|-------------------|
| Mr. Ashraf Liaquat Ali Khan (Chairman) | 2                 |
| Mr. Farooq Bin Habib (Member)          | 4                 |
| Mr. Ahsan Zia (Member)                 | 4                 |

During the year Mr. Ashraf Liaquat Ali Khan appointed as member/Chairman of the Committee in place of Mr. Kosala Udayanga Dodampe Gamage,

**HUMAN RESOURCE AND REMUNERATION (HR&R) COMMITTEE**

Keeping in view the requirements of the code of the corporate governance of Pakistan, applicable to the listed

companies, the Board of Directors of the Company has formed an HR and Remuneration Committee. It comprises 3 members; the chairman of the committee is an independent director. The names of the members of the committee are mentioned below.

#### **HR&R Committee Member**

Mr. Ashraf Liaquat Ali Khan (Chairman)  
Mian Ehsan Ul Haq  
Mr. Waseem ul Hasan

#### **AUDITORS**

During the financial year M/s. Nasir Javed Maqsood Imran, Chartered Accountants resigned and Messrs Aslam Malik & Co. Chartered Accountants was appointed and shall retire and being eligible to offer themselves for re-appointment. The Board of Directors endorse the recommendation of the Audit Committee for the re-appointment of Messrs Aslam Malik & Co, Chartered Accountants as the Auditors of the Company for the financial year ending June 30, 2014.

#### **PATTERN OF SHAREHOLDINGS**

The pattern of shareholdings as required under section 236 of the Companies Ordinance, 1984 and listing regulations are enclosed.

#### **CORPORATE AND FINANCIAL REPORTING FRAMEWORK:**

The Board of Directors of the company, for the purpose of establishing a framework of good corporate governance has fully adopted the Code of Corporate Governance, as per listing regulations of stock exchanges.

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in the equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable prudent judgment.

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

- The systems of internal controls are sound in design and have been implemented and effectively monitored.

There are no significant doubts upon the Company's ability to continue as going concern.

- The key financial data of last Six years is summarized in the report.

- There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding and have not been disclosed in annexed accounts.
- The Company is in compliance with the requirement of training programs for Directors

#### **ACKNOWLEDGEMENT**

The Board of Directors wish to place on record their thanks and appreciation to all the shareholders for their continued support. The Board also wishes to place on record its appreciation for the guidance and support extended by the Securities and Exchange Commission of Pakistan (SECP) as well the Lahore Stock Exchange Limited and Karachi Stock Exchange Limited. Finally, the Board would like to record its appreciation to all the staff members for their hard work.

For and on behalf of the Board of Directors

Lahore:  
October 03, 2013



**Mian Ehsan ul Haq**  
Chairman & Chief Executive Officer

**PATTERN OF SHAREHOLDING  
AS AT JUNE 30, 2013**

INCORPORATION NUMBER: 0034157 OF 26-01-1995

| No. of Shareholders | Shareholdings |            | Shares Held        |
|---------------------|---------------|------------|--------------------|
|                     | From          | To         |                    |
| 11                  | 1             | - 100      | 26                 |
| 3                   | 101           | - 500      | 759                |
| 2                   | 501           | - 1000     | 1,464              |
| 137                 | 1001          | - 5000     | 539,123            |
| 5                   | 5001          | - 10000    | 27,000             |
| 1                   | 20001         | - 25000    | 22,960             |
| 1                   | 25001         | - 30000    | 26,105             |
| 1                   | 125001        | - 130000   | 128,395            |
| 1                   | 230001        | - 235000   | 235,000            |
| 1                   | 490001        | - 495000   | 492,500            |
| 1                   | 495001        | - 500000   | 500,000            |
| 1                   | 1260001       | - 1265000  | 1,265,000          |
| 1                   | 1710001       | - 1715000  | 1,710,250          |
| 1                   | 1765001       | - 1770000  | 1,767,000          |
| 1                   | 2495001       | - 2500000  | 2,500,000          |
| 1                   | 3385001       | - 3390000  | 3,389,000          |
| 1                   | 4540001       | - 4545000  | 4,544,000          |
| 1                   | 4695001       | - 4700000  | 4,700,000          |
| 1                   | 7895001       | - 7900000  | 7,900,000          |
| 1                   | 8090001       | - 8095000  | 8,092,718          |
| 1                   | 18420001      | - 18425000 | 18,425,000         |
| 1                   | 51765001      | - 51770000 | 51,765,200         |
| <b>175</b>          |               |            | <b>108,031,500</b> |



| Categories of shareholders  | Shares held | Percentage |
|---|-------------|------------|
| Directors, Chief Executive Officer, and their spouse and minor children       | 28,680      | 0.027      |
| Associated Companies, undertakings and related parties.                       | 70,190,200  | 64.972     |
| NIT and ICP   | -           | -          |
| Insurance Company   | 4,700,000   | 4.351      |
| Modaraba and Mutual Fund  | 128,395     | 0.119      |
| Banks, Development Financial Institutions, Non Banking Financial Institutions | 1,265,000   | 1.171      |
| Share holders holding 10% or more   | 83,979,200  | 77.736     |
| Others:   |             |            |
| - Joint Stock Companies   | 13,926,172  | 12.891     |
| General Public  |             |            |
| a) Local  | 17,793,053  | 16.470     |
| b) Foreign  | -           | -          |

Note: Some of the shareholders are reflected in more than one category

**PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS  
AS AT JUNE 30, 2013**

| Shareholders' Categories   | Number of Shares held |
|--|-----------------------|
| <b>Associated Companies, undertaking and related parties</b>   |                       |
| First Capital Securities Corporation Limited   | 70,190,200            |
| <b>NIT and ICP</b>   | -                     |
| <b>Directors, CEO &amp; their Spouse and Minor Children</b>  |                       |
| Mian Ehsan ul Haq (CEO/Director)   | 5,400                 |
| Farooq Bin Habib (Director)  | 5,400                 |
| Mazhar Abbas (Director)  | 5,400                 |
| Ashraf Liaqat Ali Khan (Director)  | 5,400                 |
| Ahsan Zia (Director)   | 5,400                 |
| Muhammad Junaid Godil (Director)   | 600                   |
| Waseem Ul Hassan (Director)  | 1,080                 |
| <b>Executives</b>  | -                     |
| <b>Public Sector Companies and Corporations</b>  | 13,926,172            |
| <b>Banks Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modaraba and Pension Funds</b> | 4,828,395             |
| <b>Shareholders holding 5% or more voting interest in the Company</b>  |                       |
| First Capital Securities Corporation Limited   | 70,190,200            |
| Sulaiman Ahmad Saeed Al-Hoqani   | 13,789,000            |
| Pace Barka Properties Limited  | 8,597,716             |

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE****FIRST CAPITAL EQUITIES LIMITED (“THE COMPANY”)  
FOR THE YEAR ENDED JUNE 30, 2013**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange Limited and Lahore 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 CCG 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:

| <b>Category</b>      | <b>Names</b>  |
|----------------------|---|
| Independent Director | Mr. Ashraf Liaquat Ali Khan   |
| Executive Directors  | Mian Ehsan ul Haq<br>Mr. Farooq Bin Habib<br>Mr. Muhammad Junaid Godil<br>Mr. Ahsan Zia<br>Mr. Mazhar Abbas<br>Mr. Waseem ul Hassan |

The requirement of Independent Directors in composition of Board under the Code will be made at the time of next election of directors.

- 2) The directors have confirmed that none of them is serving as a director in 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 NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4) A casual vacancy occurring on in the Board was filled up by the directors within 90 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 /shareholders.
- 8) The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9) The Board arranged orientation courses/training programs for its directors during the year.

- 10) The Board has approved “appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
- 11) The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
- 12) The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- 13) The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding
- 14) The Company has complied with all the corporate and financial reporting requirements of the CCG.
- 15) The Board has formed an Audit Committee. It comprises three members. 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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Board of Directors of the Company has formed an HR and Remuneration Committee. It comprises 3 members and the chairman of the committee is an independent director.
- 18) The board has set up an effective internal audit function that is considered suitable 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 Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.
- 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(s)
- 22) Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
- 23) We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of Board

Lahore  
Dated: October 03, 2013

  
**Mian Ehsan ul Haq**  
Chief Executive Officer

## **REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2013 prepared by the Board of Directors of First Capital Equities Limited (the Company) to comply with the Listing Regulation of Lahore Stock Exchange Limited where the company is listed.

The responsibility for compliance with the Code is that of the Board of the Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement reflects the status of the company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the company 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 are not required to consider whether the board's statement on internal control cover all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, Listing Regulations of Lahore Stock Exchange Limited require the company to place before the board of directors for their consideration and approval related party transaction distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

**LAHORE**  
**October 03, 2013**

**Aslam Malik & Co.**  
**Chartered Accountants**  
**Mohammad Aslam Malik**

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of M/s. First Capital Equities Limited as at June 30, 2013 and the related income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion;
  - (i) the statement of financial position, income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business: and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company:
- (c) in our opinion, and to the best of our information and according to the explanations given to us, the statement of financial position, income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2013 and of the loss, its 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 2 in the annexed financial statements which indicates in detail the uncertainties associated with the going concern of the company. Our opinion is not qualified in respect of this matter.

Financial statements of company for the year ended June 30, 2012 were audited by another firm of Chartered Accountants, M/s. Nasir Javed Maqsood Imran Chartered Accountants, whose report dated October 05, 2012 expressed an unqualified opinion thereon.

**LAHORE**  
**October 03, 2013**

**Aslam Malik & Company**  
**Chartered Accountants**  
**Mohammad Aslam Malik**

## STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2013

| ASSETS  | Note | 2013<br>Rupees       | 2012<br>Rupees       |
|---|------|----------------------|----------------------|
| <b>NON - CURRENT ASSETS</b>                           |      |                      |                      |
| Property and equipment                                | 6    | 64,897,196           | 69,919,506           |
| Intangible assets                                     | 7    | 22,500,000           | 40,700,000           |
| Investments available for sale                        | 8    | 101,255,543          | 91,622,788           |
| Long term deposits and advances                       | 9    | 2,875,000            | 2,875,000            |
|   |      | 191,527,739          | 205,117,294          |
| <b>CURRENT ASSETS</b>                                 |      |                      |                      |
| Trade debts - Unsecured                               | 10   | 2,254,036,978        | 2,300,120,868        |
| Investments   | 11   | 29,838,098           | 160,450,284          |
| Investments property                                  | 12   | 1,463,751,500        | 1,601,941,000        |
| Advances, deposits, prepayments and other receivables | 13   | 26,809,844           | 27,677,516           |
| Advance income tax                                    |      | 59,926,889           | 55,104,343           |
| Interest accrued                                      | 14   | 337,079              | 528,872              |
| Cash and bank balances                                | 15   | 18,029,051           | 10,399,433           |
|   |      | 3,852,729,439        | 4,156,222,316        |
| <b>TOTAL ASSETS</b>                                   |      | <b>4,044,257,178</b> | <b>4,361,339,610</b> |
| <b>EQUITY AND LIABILITIES</b>                         |      |                      |                      |
| <b>SHARE CAPITAL AND RESERVES</b>                     |      |                      |                      |
| Authorised Share Capital                              |      | 1,100,000,000        | 1,100,000,000        |
| Issued, subscribed and paid up share capital          | 16   | 1,080,315,000        | 1,080,315,000        |
| Reserves  | 17   | (69,449,316)         | (128,946,362)        |
| Unappropriated loss                                   |      | (785,766,119)        | (608,825,441)        |
| <b>TOTAL EQUITY</b>                                   |      | <b>225,099,566</b>   | <b>342,543,197</b>   |
| <b>NON - CURRENT LIABILITIES</b>                      |      |                      |                      |
| Long term financing                                   | 18   | 2,396,682,710        | 2,618,287,394        |
| Interest Accrued                                      |      | 708,081,810          | 620,336,365          |
| Staff retirement benefits                             | 19   | 49,088,409           | 43,461,589           |
|   |      | 3,153,852,929        | 3,282,085,348        |
| <b>CURRENT LIABILITIES</b>                            |      |                      |                      |
| Trade and other payables- Unsecured                   | 20   | 163,555,188          | 375,789,820          |
| Liabilities against repurchase agreements - Secured   | 21   | 48,111,520           | 48,111,520           |
| Short term borrowings - Secured                       | 22   | 171,561,040          | 171,561,040          |
| Current portion of long term financing                | 18   | 150,580,000          | 61,412,000           |
| Interest accrued                                      | 23   | 106,194,903          | 55,364,369           |
| Provision for taxation                                |      | 25,302,032           | 24,472,316           |
|   |      | 665,304,683          | 736,711,065          |
| <b>CONTINGENCIES AND COMMITMENTS</b>                  | 24   | -                    | -                    |
| <b>TOTAL EQUITY AND LIABILITIES</b>                   |      | <b>4,044,257,178</b> | <b>4,361,339,610</b> |

The annexed notes from 1 to 34 form an integral part of these financial statements.

Lahore

  
Chief Executive

  
Director

## INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013

|   | Note | 2013<br>Rupees       | 2012<br>Rupees       |
|---|------|----------------------|----------------------|
| <b>INCOME</b>   |      |                      |                      |
| Brokerage income  |      | 83,668,453           | 80,353,266           |
| Capital gain - net  |      | 10,061,793           | 746,876              |
| Income on fund placements   |      | -                    | 32,890,485           |
| Unrealized gain on re-measurement of<br>Investment Property                         |      | 22,790,500           | 464,602,740          |
| Other operating income  | 25   | 210,642,197          | 786,386,624          |
|   |      | <u>327,162,943</u>   | <u>1,364,979,991</u> |
| Loss on re-measurement of investments at fair<br>value through profit or loss - net | 11.1 | (2,813,370)          | (19,419,683)         |
|   |      | <u>324,349,573</u>   | <u>1,345,560,308</u> |
| <b>EXPENDITURE</b>  |      |                      |                      |
| Operating expenses  | 26   | 124,607,242          | 1,006,231,300        |
| Finance cost  | 27   | 375,853,293          | 406,325,940          |
|   |      | <u>500,460,535</u>   | <u>1,412,557,240</u> |
| <b>LOSS BEFORE TAXATION</b>   |      | <u>(176,110,962)</u> | <u>(66,996,932)</u>  |
| Taxation  | 28   | (829,716)            | (1,337,831)          |
| <b>LOSS AFTER TAXATION</b>  |      | <u>(176,940,678)</u> | <u>(68,334,763)</u>  |
| <b>LOSS PER SHARE - BASIC AND DILUTED</b>   | 29   | <u>(1.64)</u>        | <u>(0.63)</u>        |

The annexed notes from 1 to 34 form an integral part of these financial statements.

Lahore

  
 Chief Executive

  
 Director



**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED JUNE 30, 2013

|  | 2013<br>Rupees       | 2012<br>Rupees       |
|--|----------------------|----------------------|
| Loss after taxation for the year   | (176,940,678)        | (68,334,763)         |
| <b>Other comprehensive income</b>  |                      |                      |
| <i>Items that may be reclassified subsequently to profit and loss</i>      |                      |                      |
| Unrealised gain / (loss) on remeasurement of investment available for sale | 6,918,553            | (304,645,770)        |
| <i>Item that will not be reclassified to profit or loss</i>                | -                    | -                    |
| <b>Total comprehensive loss for the year</b>                               | <b>(170,022,125)</b> | <b>(372,980,533)</b> |

The annexed notes from 1 to 34 form an integral part of these financial statements.

Lahore


  
 Chief Executive


  
 Director

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

|  | Note | 2013<br>Rupees | 2012<br>Rupees |
|--|------|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      |      |                |                |
| Loss before taxation   |      | (176,110,962)  | (66,996,932)   |
| <b>Add: Items not involved in movement of funds</b>                              |      |                |                |
| Depreciation   |      | 6,129,812      | 7,499,336      |
| Loss on re-measurement of investments at fair value through profit or loss - net |      | 2,813,370      | 19,419,683     |
| Gain on re-measurement of investment property                                    |      | (22,790,500)   | (464,602,740)  |
| Deferred notional income   |      | (174,023,919)  | (580,546,760)  |
| Provision for doubtful debts   | 26   | -              | 889,915,045    |
| Bad debts written off  |      | -              | 686            |
| Provision for Doubtful debts written back  |      | -              | (397,533)      |
| Provision for interest written back  |      | -              | (194,585,798)  |
| Interest accrued   |      | (1,790,230)    | (34,106,450)   |
| Interest expense   |      | 375,853,293    | 406,325,940    |
| (Gain) on exchange of intangible asset   |      | (21,873,830)   | -              |
| (Gain) on sale of property and equipment   | 6.2  | (2,924,648)    | (4,441,700)    |
| (Gain) on foreign currency translation   |      | (290)          | (516)          |
| Provision for gratuity   |      | 7,151,572      | 9,339,437      |
|  |      | 168,544,630    | 53,818,630     |
|  |      | (7,566,331)    | (13,178,302)   |
| <b>Decrease / (Increase) in current assets</b>                                   |      |                |                |
| Investments at fair value through profit or loss                                 |      | 127,798,816    | (43,634,920)   |
| Trade debts - unsecured  |      | 46,083,890     | (300,431,507)  |
| Advances, deposits, prepayments and other receivables                            |      | 867,672        | (7,218,330)    |
|  |      | 174,750,378    | (351,284,757)  |
| <b>(Increase) / decrease in current liabilities in trade and other payables</b>  |      |                |                |
|  |      | (212,234,632)  | 148,675,048    |
| <b>Cash used in operations</b>   |      |                |                |
|  |      | (45,050,585)   | (215,788,011)  |
| Interest received  |      | 1,982,022      | 34,771,274     |
| Finance cost paid  |      | (22,880,461)   | (19,217,485)   |
| Gratuity paid  |      | (1,524,752)    | (7,942,386)    |
| Taxes paid   |      | (4,822,546)    | (3,416,764)    |
| <b>Net cash used in operating activities</b>                                     |      | (72,296,322)   | (211,593,372)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                      |      |                |                |
| Acquisition of property and equipment  |      | (1,116,502)    | (42,000)       |
| Proceeds from sale of property and equipment                                     |      | 2,933,648      | 5,040,451      |
| Investment available for sale  |      | 89,938,121     | -              |
| Investments property   |      | 160,980,000    | -              |
| Placements   |      | -              | 289,900,675    |
| Long term deposits and advances  |      | -              | 279,800        |
| <b>Net cash generated in investing activities</b>                                |      | 252,735,267    | 295,178,926    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                      |      |                |                |
| Long term finance  |      | (172,809,618)  | 16,621,878     |
| Liabilities against repurchase agreements  |      | -              | (95,643,105)   |
| Short term borrowings  |      | -              | (3,218,791)    |
| <b>Net cash (used in) financing activities</b>                                   |      | (172,809,618)  | (82,240,018)   |
| <b>Effects of exchange rate changes in cash and cash equivalents</b>             |      |                |                |
|  |      | 290            | 516            |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                 |      |                |                |
|  |      | 7,629,327      | 1,345,535      |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>                    |      |                |                |
|  |      | 10,399,433     | 9,053,382      |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                          |      |                |                |
|  | 15   | 18,029,051     | 10,399,433     |

The annexed notes from 1 to 34 form an integral part of these financial statements.

Lahore

  
Chief Executive

  
Director

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2013

|   | Issued,<br>Subscribed<br>and paid up<br>capital<br>Rupees | Capital Reserve            |  |                                    | Revenue<br>Reserve                               | Total<br>Rupees    |
|---|---|----------------------------|--|------------------------------------|--|--------------------|
|   |   | Share<br>Premium<br>Rupees | Reserve<br>for issue<br>of bonus<br>shares<br>Rupees | Fair<br>Value<br>reserve<br>Rupees | Unappropri-<br>ated<br>Profit / (loss)<br>Rupees |                    |
| <b>Balance as at June 30, 2011</b>                                      | <b>1,080,315,000</b>                                      | -                          | -  | <b>175,699,408</b>                 | <b>(540,490,678)</b>                             | <b>715,523,730</b> |
| Loss for the year after taxation  | -   | -                          | -  | -                                  | (68,334,763)                                     | (68,334,763)       |
| <b>Other comprehensive income for the year</b>                          |   |                            |  |                                    |  |                    |
| Deficit on remeasurement of investment available for sale to fair value | -   | -                          | -  | (304,645,770)                      | -  | (304,645,770)      |
| Total other comprehensive income for the period - net of tax            | -   | -                          | -  | (304,645,770)                      | -  | (304,645,770)      |
| Total comprehensive loss for the year                                   | -   | -                          | -  | (304,645,770)                      | (68,334,763)                                     | (372,980,533)      |
| <b>Balance as at June 30, 2012</b>                                      | <b>1,080,315,000</b>                                      | -                          | -  | <b>(128,946,362)</b>               | <b>(608,825,441)</b>                             | <b>342,543,198</b> |
| <b>Total comprehensive income for the year</b>                          |   |                            |  |                                    |  |                    |
| Loss for the year after taxation  | -   | -                          | -  | -                                  | (176,940,678)                                    | (176,940,678)      |
| <b>Other comprehensive income for the year</b>                          |   |                            |  |                                    |  |                    |
| Fair value reserve realised   | -   | -                          | -  | 52,578,493                         | -  | 52,578,493         |
| Surplus on remeasurement of investment available for sale to fair value | -   | -                          | -  | 6,918,553                          | -  | 6,918,553          |
| Total other comprehensive income for the year - net of tax              | -   | -                          | -  | 59,497,046                         | -  | 59,497,046         |
| Total comprehensive loss for the year                                   | -   | -                          | -  | 59,497,046                         | (176,940,678)                                    | (117,443,632)      |
| <b>Balance as at June 30, 2013</b>                                      | <b>1,080,315,000</b>                                      | -                          | -  | <b>(69,449,316)</b>                | <b>(785,766,119)</b>                             | <b>225,099,566</b> |

The annexed notes from 1 to 34 form an integral part of these financial statements.

Lahore

  
Chief Executive

  
Director

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

### 1. STATUS AND NATURE OF BUSINESS

First Capital Equities Limited (the "Company") was incorporated in Pakistan on January 26, 1995 as a private limited company, under the Companies Ordinance, 1984. The Company was converted into a public limited company on June 18, 1997 and is listed on Lahore Stock Exchange Limited. The Company is a subsidiary of First Capital Securities Corporation Limited, which owns 64.97% (2012: 67.28%) of the share capital of the Company. The principal activities of the Company include share brokerage and conducting / publishing business research.

The registered office is located at 2nd Floor, Pace Shopping Mall, Fortress Stadium, Lahore-Cantt., Lahore.

2. During the year company has incurred loss after tax of Rs. 176.940 ( 2012: Rs.68.334 ) million and at year end ,its accumulated losses stood at Rs.785.766 (2012: Rs.608.825 ) million causing decrease in shareholders' equity to Rs. 225.099 (2012: Rs.342.543 ) million. The company's certain amount of trade debt is stuck up. These factors indicate existence of material uncertainty and creates doubts about company's ability to continue as going concern. However, despite of associated uncertainties, company expects that increase in trading activities in stock market and recovery of trade receivables from its customers will improve the profitability and liquidity of company. To improve profitability and liquidity management of the Company has drawn up plans which includes:-

- a) Successful restructuring of borrowing facilities, currently overdue, on soft repayment terms.
- b) Waiver of overdue and future mark up from the financial institutions.
- c) Continuous increase in the value of investment property.
- d) Vigorously following the debtors for recovery.

During the year, KSE 100 index has increased by 52.20% but subsequent to the year end and till the authorization of these financial statements an increase of 10.54% in KSE 100 index has been recorded. The Company is also relying on continued support from its sponsors through injection of further equity and realization of investment properties if the need arises.

Owing to these factors, these financial statements are prepared on going concern basis.

### 3. BASIS OF PREPARATION

#### 3.1 Statement of compliance

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

#### 3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain financial assets and investment properties that are stated at fair value and certain employee benefits which are presented at present value.

#### 3.3 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan, requires management to make judgments, estimates and assumptions, that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The

estimates, associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are;

- |    |   |                |
|----|---|----------------|
| a) | Useful life and residual values of property and equipment | <b>Note 6</b>  |
| b) | Provisions  | <b>Note 10</b> |
| c) | Staff retirement benefits                                 | <b>Note 19</b> |
| d) | Provision for taxation                                    | <b>Note 28</b> |

#### **4 Initial application of new standards, interpretations or amendments to existing standards and forthcoming requirements**

##### **4.1 Standards, amendments or interpretations which became effective during the year**

During the year certain amendments to standards or new interpretations became effective, however, the amendments or interpretation did not have any material effect on the financial statements of the Company.

##### **4.2 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 01, 2013:

- \* IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit and loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial gains amounting to Rs. 9.6 million at June 30, 2013 would need to be recognized retrospectively in other comprehensive income.
- \* IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.
- \* IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- \* Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.
- \* Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.
- \* Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 01, 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
  - o IAS. 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’ when required, is only required if the effect of restatement is material to statement of financial position.
  - o IAS 16 Property and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.
  - o IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
  - o IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

These amendments have no impact on financial statements of the Company.

- \* IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.
- \* IFRIC 21- Levies ‘an interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after January 01, 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- \* IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and

Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after January 01, 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

- \* Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 01, 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

## **5. SIGNIFICANT ACCOUNTING POLICIES**

### **5.1 Change in accounting policy**

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of July 01, 2012:

As a result of the amendments to IAS 1, the Company now presents items of other comprehensive income in its statement of other comprehensive income, to present separately items that would be reclassified to profit and loss account in the future, from those, that would never be.

The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Company.

### **5.2 Property and equipment**

These are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to income applying the straight-line method whereby the cost is written-off over its estimated useful life at the rates specified in note 6.1 to the financial statements. Residual value and the useful life of an asset are reviewed at least at each financial year end.

Depreciation on additions is charged on a pro-rata basis from the month in which the asset is available for use, while for disposals depreciation is charged up to the month preceding the disposal of the asset. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Maintenance and repairs are charged to income as and when incurred. Renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably, and the assets so replaced, if any, are retired.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

Residual value and the useful life of an asset are reviewed at each financial year end and adjusted if impact on depreciation is significant. The Company's estimates of residual value of property and equipment at June 30, 2013 did not require any adjustment.

### **5.3 Intangible assets**

#### **(a) TRE Certificates**

Pursuant to demutualization, value approved by the Board of Directors of KSE has been used as its initial value. Provision is made for decline in value other than temporary, if any.

**(b) Others**

These are stated at cost less accumulated impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amount, and where carrying amount exceeds estimated recoverable amount, these are written down to their estimated recoverable amount.

**5.4 Leases**

Leases in term of which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and fair value of the assets, less accumulated depreciation and impairment loss, if any.

The related rental obligations, net of finance costs are classified as current and long term depending upon the timing of the payment. Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to income over the lease term.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments, if any are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed. The interest element of the rental is charged to income over the lease term.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

**5.5 Impairment**

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. All impairment losses are recognized in the profit and loss account. Individually significant financial assets are tested for impairment on individual basis. An impairment loss in respect of available-for-sale financial assets is calculated by the reference to its current fair value. Any cumulative loss in respect of an available-for-sale financial assets recognised previously in equity is transferred to profit and loss.

Impairment losses are reversed when there is an indication that the impairment may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been charged.

For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

**5.6 Investments**

**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 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) with any resulting gains



and losses which are charged to other comprehensive income, until the investment is disposed or impaired. At the time of disposal, the respective surplus or deficit is transferred to income. Fair value of quoted investments is their bid price at the balance sheet date.

Unquoted investments, where active market does not exist, are carried at cost and tested for impairment at each year end. Impairment loss, if any, is charged to income currently.

#### **Investments at fair value through profit or loss**

These include investments classified as held for trading or upon initial recognition are designated by the Company at fair value through profit or loss. Investments which are acquired principally for the purpose of generating a 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 and losses recognized directly in income. Fair value of investments is their quoted bid price at the balance sheet date. Transaction costs are charged to income currently.

### **5.7 Investment property**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are initially recognized at cost, being the fair value of the consideration given, subsequent to initial recognition these are stated at fair value. The fair value is determined annually by an independent approved valuer. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between knowledgeable and willing buyer and seller in an arms length transaction.

Any gain or loss arising from a change in fair value is recognized in the profit and loss account.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized in surplus on revaluation of property, plant and equipment, if it is a gain. Upon disposal of the item the related surplus on revaluation of property, plant and equipment is transferred to retained earnings. Any loss arising in this manner is recognized immediately in the profit and loss account.

### **5.8 Securities purchased and sold under resale/repurchase agreements**

#### **Repurchase agreements**

Investments sold with a simultaneous commitment to repurchase at a specified future date (Repo) continue to be recognized in the balance sheet and are measured in accordance with the accounting policies for investments. Amounts received under these agreements are recorded as "securities sold under repurchase agreements" in short term borrowings. The difference between sale and repurchase price is treated as mark-up on borrowings and is accrued over the life of the repo agreement.

#### **Reverse repurchase agreements**

Investments purchased with a corresponding commitment to resell at a specified future date (Reverse repo) are not recognized in the balance sheet. Amounts paid under these obligations are recorded as fund placements. The difference between purchase and resale price is treated as mark-up/interest income on fund placements and is accrued over the life of the reverse repo agreement.

### **5.9 Settlement date accounting**

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

#### **5.10 Trade and other receivables**

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

#### **5.11 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 instruments. The Company de-recognizes a financial asset or a portion of financial asset when, and only when, the enterprise loses control of the contractual rights that comprise the financial asset or portion of financial asset. A financial liability or part of financial liability is de-recognized from the balance sheet, when and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the recognition or de-recognition of the financial assets and liabilities is included in the profit and loss account currently.

Significant financial assets include long term deposits, short term investments, trade debts, loans and advances, other receivables and cash and bank balances.

Significant financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are liabilities against assets subject to finance lease, mark-up accrued, long term / short term borrowings and trade and other payables.

#### **5.12 Financial assets and liabilities**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

#### **5.13 Interest bearing borrowings**

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the profit and loss account when the liabilities are derecognized as well as through the amortization process.

#### **5.14 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet only when the Company has a legally enforceable right to set off the recognized amounts and intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

#### **5.15 Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods or services received.

#### **5.16 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. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

#### 5.17 Staff retirement benefits

##### **Defined benefit plan**

The Company operates an un-funded gratuity plan for its eligible staff under which benefits are paid on cessation of employment subject to a minimum qualifying period of service, that is one year. The liability under the plan is determined on the basis of actuarial valuations carried out by using the "Projected unit credit method" and is charged to income.

The Company recognizes actuarial gains/losses above the 10% of present value of obligation at the end of previous year over the expected remaining average service life of the employees.

#### 5.18 Revenue recognition

- \* Capital gains or losses on sale of investments are recognised in the year in which they arise.
- \* Income on fund placements on account of continuous funding system is recognised on accrual basis.
- \* Brokerage income, consultancy and money market services are recognized as and when such services are provided.
- \* Underwriting commission is recognized as and when the contract is executed. Take up commission is recognized at the time of actual take-up.
- \* Dividend income is recognized at the time of book closure of the company declaring the dividend.
- \* Return on securities other than shares is recognized as and when it is due on time proportion basis.
- \* Mark-up/interest income is recognized on accrual basis.
- \* Rental income is recognized on accrual basis.

#### 5.19 Taxation

##### **Current**

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing laws for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

##### **Deferred**

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

#### **5.20 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency.

#### **5.21 Foreign currency**

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in the income currently.

#### **5.22 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, cash with banks and other short term highly liquid investments (if any) that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

#### **5.23 Related party transactions**

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible, except in extremely rare circumstances where, subject to approval of Board of Directors, it is in the interest of the Company to do so.

## 6 PROPERTY AND EQUIPMENT

| Note | 2013<br>Rupees    | 2012<br>Rupees    |
|------|-------------------|-------------------|
| 6.1  | 64,897,196        | 69,919,506        |
|      | <u>64,897,196</u> | <u>69,919,506</u> |

## 6.1 Operating Fixed Assets

|   | Freehold<br>building | Computers      | Office<br>equipment | Furniture &<br>fittings | Motor<br>vehicles | Total             |
|---|----------------------|----------------|---------------------|-------------------------|-------------------|-------------------|
| <b>Net carrying value as at July 01, 2013</b>   |                      |                |                     |                         |                   |                   |
| Opening net book value (NBV)                    | 57,817,873           | 92,974         | 5,396,804           | 6,501,072               | 110,783           | 69,919,506        |
| Additions / transfers                           | -                    | 241,500        | 125,002             | -                       | 750,000           | 1,116,502         |
| Disposals                                       | 6.2                  | -              | (9,000)             | -                       | -                 | (9,000)           |
| Depreciations charged                           | (3,372,790)          | (117,452)      | (1,295,661)         | (1,245,814)             | (98,095)          | (6,129,812)       |
| Balance as at June 30, 2013 (NBV)               | <u>54,445,083</u>    | <u>217,022</u> | <u>4,217,145</u>    | <u>5,255,258</u>        | <u>762,688</u>    | <u>64,897,196</u> |
| <b>Gross carrying value as at June 30, 2013</b> |                      |                |                     |                         |                   |                   |
| Cost  | 67,455,800           | 18,865,377     | 15,844,343          | 14,089,246              | 32,496,374        | 148,751,139       |
| Accumulated depreciation                        | (13,010,716)         | (18,648,355)   | (11,627,198)        | (8,833,988)             | (31,733,686)      | (83,853,943)      |
| Net book value                                  | <u>54,445,084</u>    | <u>217,022</u> | <u>4,217,145</u>    | <u>5,255,258</u>        | <u>762,688</u>    | <u>64,897,196</u> |
| <b>Net carrying value as at July 01, 2012</b>   |                      |                |                     |                         |                   |                   |
| Opening net book value (NBV)                    | 61,190,663           | 205,297        | 7,113,773           | 7,681,512               | 1,784,348         | 77,975,593        |
| Additions / transfers                           | -                    | -              | 42,000              | -                       | -                 | 42,000            |
| Disposals                                       | -                    | (20)           | (331,453)           | (91,048)                | (176,230)         | (598,751)         |
| Depreciations charged                           | (3,372,790)          | (112,303)      | (1,427,516)         | (1,089,392)             | (1,497,335)       | (7,499,336)       |
| Balance as at June 30, 2012 (NBV)               | <u>57,817,873</u>    | <u>92,974</u>  | <u>5,396,804</u>    | <u>6,501,072</u>        | <u>110,783</u>    | <u>69,919,506</u> |
| <b>Gross carrying value as at June 30, 2012</b> |                      |                |                     |                         |                   |                   |
| Cost  | 67,455,800           | 18,623,877     | 15,746,341          | 14,089,246              | 35,567,494        | 151,482,758       |
| Accumulated depreciation                        | (9,637,927)          | (18,530,903)   | (10,349,537)        | (7,588,174)             | (35,456,711)      | (81,563,252)      |
| Net book value                                  | <u>57,817,873</u>    | <u>92,974</u>  | <u>5,396,804</u>    | <u>6,501,072</u>        | <u>110,783</u>    | <u>69,919,506</u> |
| Depreciation rate (% per annum)                 | 5                    | 33.33          | 10                  | 10                      | 20                |                   |

6.2 Disposal of property and equipment

| Particulars      | Cost             | Accumulated Depreciation | Book Value   | Sale Proceeds    | Gain             | Mode of Sale | Particulars of Buyers |
|------------------|------------------|--------------------------|--------------|------------------|------------------|--------------|-----------------------|
|                  | Rupees           |                          |              | Rupees           |                  |              |                       |
| Vehicle          | 870,000          | 870,000                  | -            | 660,000          | 660,000          | Negotiation  | Amir Ahmad Sheikh     |
| Vehicle          | 29,120           | 29,120                   | -            | 5,000            | 5,000            | Negotiation  | Noor Muhammad         |
| Vehicle          | 1,025,000        | 1,025,000                | -            | 710,000          | 710,000          | Negotiation  | Tahir Hussain         |
| Vehicle          | 1,288,000        | 1,288,000                | -            | 930,000          | 930,000          | Negotiation  | Rehan Mitani          |
| Office Equipment | 27,000           | 18,000                   | 9,000        | 12,648           | 3,648            | Negotiation  | Shaoib Janjua         |
| Vehicle          | 609,000          | 609,000                  | -            | 616,000          | 616,000          | Negotiation  | Irfan Ullaha          |
| <b>Total</b>     | <b>3,848,120</b> | <b>3,839,120</b>         | <b>9,000</b> | <b>2,933,648</b> | <b>2,924,648</b> |              |                       |

| Note | 2013 Rupees | 2012 Rupees |
|------|-------------|-------------|
|------|-------------|-------------|

7 INTANGIBLE ASSETS

|   |     |                   |                   |
|---|-----|-------------------|-------------------|
| <b>Membership card</b>                              |     |                   |                   |
| Karachi Stock Exchange Limited                      |     | -                 | 33,200,000        |
| <b>Trading Right Entitlement Certificate (TREC)</b> | 7.1 | 15,000,000        | -                 |
| Karachi Stock Exchange Limited                      |     |                   |                   |
| <b>Room</b>   |     |                   |                   |
| Karachi Stock Exchange Limited                      |     | 7,500,000         | 7,500,000         |
|   |     | <b>22,500,000</b> | <b>40,700,000</b> |

7.1 Pursuant to demutualization of the Karachi Stock Exchange (KSE), the ownership rights in the Stock Exchange were segregated from the right to trade on an exchange. As a result of such demutualization, the Company received shares and TREC from Karachi Stock Exchange against its membership card.

The active market for TREC is currently not available. The TREC has been accounted for as intangible asset as per provisions of IAS 38. As the TREC certificate is not common tradable instrument, therefore after demutualization, value approved by the Board of Directors of KSE has been used as its initial value. The Board of Directors has already set a value of Rs 15 million for TREC which is also being used in determining the base minimum capital to be maintained by each TREC holder under regulations for Risk management.

| Note | 2013 Rupees | 2012 Rupees |
|------|-------------|-------------|
|------|-------------|-------------|

8 INVESTMENT AVAILABLE FOR SALE

|   |     |                    |                   |
|---|-----|--------------------|-------------------|
| <b>Quoted Shares</b>  |     |                    |                   |
| Media Times Limited   | 8.1 | 61,181,713         | 91,622,788        |
| <b>Unquoted Shares</b>  |     |                    |                   |
| Karachi Stock Exchange Limited  | 8.2 | 40,073,830         | -                 |
|   |     | <b>101,255,543</b> | <b>91,622,788</b> |
| 8.1 13,565,790 (2012: 22,905,697) Fully paid ordinary shares of Rs. 10 each |     |                    |                   |
| Equity Held 7.58% (2012 : 17.08%)   |     | 54,263,160         | 396,268,558       |
| (Loss) / gain on remeasurement of investment available for sale             |     | 6,918,553          | (304,645,770)     |
|   |     | <b>61,181,713</b>  | <b>91,622,788</b> |

- 8.2 Pursuant to demutualization of the Karachi Stock Exchange (KSE), the ownership rights in the Stock Exchange were segregated from the right to trade on an exchange. As a result of such demutualization, the Company received shares and TREC from Karachi Stock Exchange against its membership card.

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

In accordance with applicable IFRS in Pakistan, the shares allotted by KSE has been classified as "Available for sale". These shares have been recorded initially at face value of Rs. 10/- each. Since active market of these shares is not available as of now, therefore, fair value determination is difficult task. An attempt to arrive at the fair value by using appropriate valuation technique may be possible, if data from observable market is available. However in the absence of requisite data for fair value, these shares have been carried at par value.

The above shares and TRE certificate have been received against surrender of stock exchange membership card. As the fair value of both the asset transferred and asset obtained has been determined with reasonable accuracy, the gain on exchange of asset of Rs. 21,873,830 has been recorded in profit and loss account of the Company.

|  | Note | 2013<br>Rupees       | 2012<br>Rupees       |
|--|------|----------------------|----------------------|
| <b>9 LONG TERM DEPOSITS AND ADVANCES</b>       |      |                      |                      |
| Deposits with:                                 |      |                      |                      |
| Karachi Stock Exchange Limited                 |      | 1,860,000            | 1,860,000            |
| Central Depository Company of Pakistan Limited |      | 100,000              | 100,000              |
| National Clearing Company of Pakistan Limited  |      | 450,000              | 450,000              |
| Other lease deposits                           |      | 465,000              | 465,000              |
|  |      | <u>2,875,000</u>     | <u>2,875,000</u>     |
| <b>10 TRADE DEBTS - UNSECURED</b>              |      |                      |                      |
| Trade debts against purchase of shares:        |      |                      |                      |
| Considered good:                               |      |                      |                      |
| Clients  |      | 2,253,415,578        | 2,299,149,258        |
| Members  |      | 621,400              | 971,610              |
|  |      | <u>2,254,036,978</u> | <u>2,300,120,868</u> |
| Considered doubtful:                           |      |                      |                      |
| Clients  |      | 1,092,901,226        | 1,092,901,226        |
| Members  |      | 3,911,979            | 3,911,979            |
|  |      | <u>1,096,813,205</u> | <u>1,096,813,205</u> |
| Less: Provision for doubtful debts             | 10.1 | (1,096,813,205)      | (1,096,813,205)      |
|  |      | -                    | -                    |
|  |      | <u>2,254,036,978</u> | <u>2,300,120,868</u> |
| <b>10.1 Provision for doubtful debts</b>       |      |                      |                      |
| Opening balance                                |      | 1,096,813,205        | 207,295,693          |
| Provision for Doubt ful debts written back     |      | -                    | (397,533)            |
| Charge for the year                            | 26   | -                    | 889,915,045          |
| Closing balance                                |      | <u>1,096,813,205</u> | <u>1,096,813,205</u> |
| <b>11 INVESTMENTS</b>                          |      |                      |                      |
| At fair value through profit or loss           |      |                      |                      |
| Quoted equity securities                       | 11.1 | 29,838,098           | 160,450,284          |
|  |      | <u>29,838,098</u>    | <u>160,450,284</u>   |

### 11.1 Quoted equity securities

|  | June 2013        |                    |                   | June 2012        |                     |                    |
|--|------------------|--------------------|-------------------|------------------|---------------------|--------------------|
|  | Number of shares | Carrying Amount    | Market value      | Number of shares | Carrying Amount     | Market value       |
|  |                  | Rupees             | Rupees            |                  | Rupees              | Rupees             |
| <b>MUTUAL FUNDS</b>                    |                  |                    |                   |                  |                     |                    |
| First Capital Mutual Fund Limited      | 3,725,000        | 31,662,500         | 27,676,750        | 3,735,330        | 9,338,325           | 16,584,865         |
| <b>COMMERCIAL BANK</b>                 |                  |                    |                   |                  |                     |                    |
| Bank Islami Pakistan                   | -                | -                  | -                 | 2,026,055        | 6,888,587           | 21,678,789         |
| <b>INVESTMENT BANK</b>                 |                  |                    |                   |                  |                     |                    |
| Arif Habib Ltd.                        | 1,226            | 37,805             | 47,728            | 11,040           | 217,157             | 378,230            |
| <b>TECHNOLOGY AND COMMUNICATION</b>    |                  |                    |                   |                  |                     |                    |
| Media Times Limited                    | -                | -                  | -                 | 3,000,093        | 51,841,261          | 12,000,372         |
| <b>SUGUR</b>                           |                  |                    |                   |                  |                     |                    |
| Haseeb Waqas Sugur Mills Ltd.          | 111,212          | 950,863            | 2,113,028         | 529,000          | 6,125,820           | 4,522,950          |
| <b>CEMENT</b>                          |                  |                    |                   |                  |                     |                    |
| Pioneer Cement Ltd.                    | -                | -                  | -                 | 11,031           | 60,781              | 101,485            |
| Javedan Cement Limited                 | -                | -                  | -                 | 300,000          | 18,411,000          | 25,530,000         |
| <b>INSURANCE</b>                       |                  |                    |                   |                  |                     |                    |
| Shaheen Insurance Company Limited      | -                | -                  | -                 | 1,836,248        | 22,953,100          | 16,526,232         |
| PICIC Insurance Ltd.                   | -                | -                  | -                 | 32,000           | 424,320             | 167,040            |
| <b>MISCELLANEOUS</b>                   |                  |                    |                   |                  |                     |                    |
| Pace (Pakistan) Limited                | -                | -                  | -                 | 3,620,108        | 7,891,835           | 7,385,020          |
| Sui Southern Gas                       | -                | -                  | -                 | 2,850,000        | 55,717,500          | 55,575,000         |
| Pakistan Services                      | 2                | 300                | 592               | 2                | 281                 | 300                |
| <b>Total Investment</b>                |                  | <b>32,651,468</b>  | <b>29,838,098</b> |                  | <b>179,869,967</b>  | <b>160,450,284</b> |
| Loss on remeasurement                  |                  | <b>(2,813,370)</b> |                   |                  | <b>(19,419,683)</b> |                    |
| <b>Total Investment as at June 30,</b> |                  | <b>29,838,098</b>  |                   |                  | <b>160,450,284</b>  |                    |

Shares having carrying amount of Rs. 32,613,363/- (2012: Rs. 179,183,470) and market value of Rs. 29,789,778/- (2012: Rs. 159,916,576) have been given as collateral against borrowings from various commercial banks.

| Note | 2013 Rupees | 2012 Rupees |
|------|-------------|-------------|
|------|-------------|-------------|

### 12 INVESTMENTS PROPERTY - AVAILABLE FOR SALE

|                             |             |                      |                      |
|-----------------------------|-------------|----------------------|----------------------|
| Balance as on July 01,      |             | <b>1,601,941,000</b> | 1,137,338,260        |
| Acquisition during the year |             | -                    | -                    |
|                             |             | <b>1,601,941,000</b> | 1,137,338,260        |
| Disposal during the year    | <b>12.2</b> | <b>(160,980,000)</b> | -                    |
|                             |             | <b>1,440,961,000</b> | <b>1,137,338,260</b> |
| Increase in fair value      |             | <b>22,790,500</b>    | 464,602,740          |
| Balance as at June 30,      |             | <b>1,463,751,500</b> | <b>1,601,941,000</b> |

**12.1** Investment Property comprises various shops / counter acquired from various parties including First Capital Securities Corporation Limited (Parent Company) in various shopping malls situated at Gujranwala and Gujrat. The transaction with parent company has been made on arm's length basis. These properties are under mortgage by banks against the borrowings. The Company has the intention to sell off this property to pay off the bank borrowings.

**12.2** During the year, the Company has sold its investment property worth Rs. 160.98 million, which includes Rs. 143.2 million to its parent company i.e. First Capital Securities Corporation Limited (FCSC). The Company shall be bound to get the shops released from the relevant banking institutions within the period of one year from the date of agreement and upon release of shops, shall be transferred to FCSC or any of its nominee(s) within a period of 18 months from the date of this agreement. Time shall be essence for the purpose of this agreement.

**12.3** The fair value of subject investment property is based on valuation that was carried out by M/s. Negotiator, independent valuer as on June 30, 2013. The valuer determined the fair value of Rs. 1,463,751,500/-, the effect of which has been incorporated in the financial statements.



|   | Note | 2013<br>Rupees    | 2012<br>Rupees    |
|---|------|-------------------|-------------------|
| <b>13 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b> |      |                   |                   |
| Advances - Unsecured - Considered good                          |      |                   |                   |
| Executives  | 13.1 | 1,955,398         | 1,081,294         |
| Employees   | 13.1 | 1,507,963         | 1,004,058         |
| Deposits with   |      |                   |                   |
| Central Depository Company of Pakistan Limited                  |      | 25,000            | 25,000            |
| Others  |      | 857,936           | 857,936           |
| Prepayments   |      | 34,624            | 12,707            |
| Exposure with Karachi Stock Exchange Limited                    | 13.2 | 13,434,438        | 11,242,008        |
| Accrued brokerage commission                                    |      | 639,910           | 178,656           |
| Accrued rental income   |      | 780,000           | -                 |
| Advance for National Commodity Exchange Limited Membership      |      | 2,500,000         | 2,500,000         |
| Other receivables   | 13.3 | 5,074,574         | 10,775,857        |
|   |      | <u>26,809,844</u> | <u>27,677,516</u> |

**13.1** Advances given to Executives / Employees are in accordance with the Company policy. Such advances are unsecured, interest free and are adjusted against salary / expenses claims. These advances are secured against gratuity. Advances to executives / employees includes an amount of Rs. 76,116/- due from chief executive and directors (2012 : NIL).

**13.2** This represents exposure deposit with the Karachi Stock Exchange Limited under the exposure rules.

|  | Note   | 2013<br>Rupees   | 2012<br>Rupees    |
|--|--------|------------------|-------------------|
| <b>13.3</b> Other receivables considered good          |        | 5,074,574        | 10,775,857        |
| Other receivables considered doubtful                  |        | 850,000          | 850,000           |
| Less: Provision for doubtful other receivables         | 13.3.1 | (850,000)        | (850,000)         |
|  |        | -                | -                 |
|  |        | <u>5,074,574</u> | <u>10,775,857</u> |
| <b>13.3.1</b> Provision for doubtful other receivables |        |                  |                   |
| Opening balance  |        | 850,000          | 850,000           |
| Charge for the year                                    |        | -                | -                 |
| Closing balance  |        | <u>850,000</u>   | <u>850,000</u>    |

|                            |  |                |                |
|----------------------------|--|----------------|----------------|
| <b>14 INTEREST ACCRUED</b> |  |                |                |
| Interest accrued on:       |  |                |                |
| Bank deposits              |  | 337,079        | 528,872        |
|                            |  | <u>337,079</u> | <u>528,872</u> |

|                                  |      |            |           |
|----------------------------------|------|------------|-----------|
| <b>15 CASH AND BANK BALANCES</b> |      |            |           |
| <b>Cash at bank</b>              |      |            |           |
| Local currency                   |      |            |           |
| Current accounts                 |      | 6,714,674  | 3,646,838 |
| Deposit accounts                 | 15.1 | 11,254,025 | 6,714,150 |

Figure carried forward 17,968,699      10,360,988

|                                      | 2013<br>Rupees           | 2012<br>Rupees           |
|--------------------------------------|--------------------------|--------------------------|
| Figure brought forward               | 17,968,699               | 10,360,988               |
| Foreign currency<br>Current accounts | 6,224                    | 5,933                    |
|                                      | <u>17,974,922</u>        | <u>10,366,921</u>        |
| <b>Cash in hand</b>                  | <b>54,129</b>            | <b>32,512</b>            |
|                                      | <u><b>18,029,051</b></u> | <u><b>10,399,433</b></u> |

15.1 These carry profit at rates ranging from 6% to 8% per annum (2012: 2% to 6% per annum).

**16 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL**

| June<br>2013   | June<br>2012       |   | 2013<br>Rupees       | 2012<br>Rupees       |
|--|--------------------|---|----------------------|----------------------|
| <b>Number of shares</b>                                    |                    |   |                      |                      |
| <b>Shares issued against cash consideration</b>            |                    |   |                      |                      |
| 40,012,250   | 40,012,250         | Ordinary shares of Rs. 10/- each fully paid | 400,122,500          | 400,122,500          |
| <b>Shares issued against consideration other than cash</b> |                    |   |                      |                      |
| 68,019,250   | 68,019,250         | Bonus shares of Rs. 10/-each fully paid     | 680,192,500          | 680,192,500          |
| <u>108,031,500</u>   | <u>108,031,500</u> |   | <u>1,080,315,000</u> | <u>1,080,315,000</u> |

16.1 The Company is a subsidiary of First Capital Securities Corporation Limited - a listed company which holds 70,190,200 (64.97 %) ordinary shares (2012: 72,690,200 (67.28 %) of the Company.

|   | Note | 2013<br>Rupees       | 2012<br>Rupees       |
|---|------|----------------------|----------------------|
| <b>17 RESERVES</b>                                  |      |                      |                      |
| <b>Fair value reserve</b>                           |      |                      |                      |
| Un-realized loss - charged to equity                |      | (69,449,316)         | (128,946,362)        |
| <b>18 LONG TERM FINANCING</b>                       |      |                      |                      |
| - Secured   | 18.1 | 3,005,158,891        | 3,073,218,895        |
| - Un Secured  |      | -                    | 104,749,614          |
|   |      | <u>3,005,158,891</u> | <u>3,177,968,509</u> |
| Deferred notional income                            | 18.2 | (457,896,181)        | (498,269,115)        |
|   |      | <u>2,547,262,710</u> | <u>2,679,699,394</u> |
| Less: Current portion shown under current liability |      | 150,580,000          | 61,412,000           |
| Long term portion                                   |      | <u>2,396,682,710</u> | <u>2,618,287,394</u> |

18.1 This includes agreements with different commercial banks with a mark up rate of 8 % to 20% and 3 months kibar plus 3 % to 4 % p.a (2012 : 8 % and 3 months kibar plus 3 % to 4 % p.a). These facilities are secured against the pledge of shares, charge over trade receivable and equitable mortgage of

certain properties. The shares having market value of Rs. 1,058,785,992 (2012: Rs. 947,214,901) have been pledged by the Company which includes shares having market value of Rs. 285,400,108 (2012: Rs. 152,055,284) as security given by the parent company.

- 18.2** This represents the difference between amortized cost and carrying value of restructuring of long term loan. Amortized cost has been determined using effective interest rate of 9.13% to 12.06% (2012: 12.06%) per annum being the 6 month KIBOR rate. Movement is as follows:

|                                 | 2013<br>Rupees     | 2012<br>Rupees     |
|---------------------------------|--------------------|--------------------|
| <b>Deferred notional income</b> |                    |                    |
| As at beginning of the year     | 498,269,115        | -                  |
| Occurred during the year        | 174,023,919        | 580,546,760        |
| Amortized during the year       | (214,396,853)      | (82,277,645)       |
| As at end of the year           | <u>457,896,181</u> | <u>498,269,115</u> |

## 19 STAFF RETIREMENT BENEFITS

|                        |                   |                   |
|------------------------|-------------------|-------------------|
| Provision for Gratuity | <u>49,088,409</u> | <u>43,461,589</u> |
|------------------------|-------------------|-------------------|

- 19.1** Company operates unfunded gratuity scheme for its employees that pays a lump sum gratuity to members on leaving company's service after completion of one year of continuous service. The future contribution rates of the scheme include allowances for deficit and surplus. Projected unit credit method based on the following significant assumptions is used for valuation of this scheme. The latest actuarial valuation was carried out by Nauman Associates as on June 30, 2013.

|   | 2013<br>Rupees | 2012<br>Rupees |
|---|----------------|----------------|
| Discount Rate   | 10.5 %         | 13 %           |
| Expected rate of salary increase in future years          | 9.5 %          | 12 %           |
| Average expected remaining employment period of employees | 14 Years       | 13 Years       |

**a) The amount to be recognized in the balance sheet is as follows:**

|   |                   |                   |
|---|-------------------|-------------------|
| Present value of obligation               | 38,132,741        | 32,394,611        |
| Unrecognized actuarial gain               | 9,619,818         | 9,391,456         |
| Benefits due but not paid                 | 1,335,850         | 1,675,522         |
| Liability recognized in the balance sheet | <u>49,088,409</u> | <u>43,461,589</u> |

**b) Movement of liability to be recognized in the balance sheet is as follows:**

|  |                   |                   |
|--|-------------------|-------------------|
| Present value of obligation at beginning of the year | 43,461,589        | 42,064,538        |
| Amount recognized during the year                    | 7,151,572         | 9,339,437         |
| Benefit payments made by the Company during the year | (1,524,752)       | (7,942,386)       |
| Net liability at the end of the year                 | <u>49,088,409</u> | <u>43,461,589</u> |

|   | Note | 2013<br>Rupees   | 2012<br>Rupees   |
|---|------|------------------|------------------|
| <b>c) The amount recognized in the profit and loss account is as follows:</b> |      |                  |                  |
| Current service cost  |      | 3,413,503        | 4,403,692        |
| Interest cost   |      | 4,211,299        | 5,067,843        |
| Actuarial gains charge  |      | (473,230)        | (132,098)        |
| Total amount charged to Profit & loss   | 26   | <u>7,151,572</u> | <u>9,339,437</u> |

**19.2 Historical information for Gratuity Plan;**

|      | Present value<br>of obligation<br>Rupees | Actuarial<br>gain/(loss)<br>Rupees |
|------|--|------------------------------------|
| 2013 | 49,099,409                               | 9,619,818                          |
| 2012 | 43,461,589                               | 9,391,456                          |
| 2011 | 42,064,538                               | 5,337,162                          |
| 2010 | 35,744,285                               | 1,086,450                          |
| 2009 | 29,142,701                               | (2,629,738)                        |
| 2008 | 27,375,357                               | (5,431,576)                        |

|   | Note | 2013<br>Rupees     | 2012<br>Rupees     |
|---|------|--------------------|--------------------|
| <b>20 TRADE AND OTHER PAYABLES- UNSECURED</b>       |      |                    |                    |
| Payable against sale of shares                      |      |                    |                    |
| Clients   |      | 62,821,695         | 192,172,789        |
| Members   |      | 22,747,278         | 114,664,988        |
| Accrued and other liabilities                       |      | 41,366,529         | 42,475,465         |
| With holding tax payable                            |      | 36,619,686         | 26,476,578         |
|   |      | <u>163,555,188</u> | <u>375,789,820</u> |
| <b>21 LIABILITIES AGAINST REPURCHASE AGREEMENTS</b> |      |                    |                    |
| Secured   | 21.1 | 48,111,520         | 48,111,520         |
|   |      | <u>48,111,520</u>  | <u>48,111,520</u>  |

**21.1** This represents the amount payable under repurchase agreements against the securities. The effective interest rate is 19 % per annum (2012: 19 % per annum) and is for a period of ninety days (2012: ninety days).

|  | Note | 2013<br>Rupees     | 2012<br>Rupees     |
|--|------|--------------------|--------------------|
| <b>22 SHORT TERM BORROWINGS- SECURED</b> | 22.1 | <u>171,561,040</u> | <u>171,561,040</u> |

**22.1** This facility have been obtained from JS Bank Limited under mark up arrangements. These facilities carry mark up at rate from 3 month kibar plus 4 % per annum payable quarterly (2012: 3 months KIBOR plus 4 % per annum). These are secured against pledge of quoted equity securities having market value of Rs. 44,219,914 (2012: Rs. 39,219,436).

|                            | 2013<br>Rupees            | 2012<br>Rupees           |
|----------------------------|---------------------------|--------------------------|
| <b>23 INTEREST ACCRUED</b> |                           |                          |
| Interest accrued on:       |                           |                          |
| Long term financing        | -                         | 3,839,583                |
| Short term borrowings      | <b>75,635,478</b>         | 30,106,553               |
| Repurchase agreements      | <b>30,559,425</b>         | 21,418,233               |
|                            | <b><u>106,194,903</u></b> | <b><u>55,364,369</u></b> |

## 24 CONTINGENCIES AND COMMITMENTS

### 24.1 Contingencies

**24.1.1** During the year 2000 certain clients of the Company defaulted on their obligations. ABN AMRO Asia Limited Hong Kong (ABN AMRO), major shareholder of the Company at that time, arranged for the requisite financing and assumed the open positions and obligations of the defaulting clients. The loans so arranged by ABN AMRO were secured specifically against the amounts recoverable from these defaulting clients and were repayable only through amounts recovered from such defaulting clients. These loans were interest free and exchange risk had been assumed by ABN AMRO pursuant to the loan agreements signed between the Company and ABN AMRO. Accordingly the Company had set off these loans and such recoverable amounts.

The Company had initiated cases against the defaulting clients for recovery of the amounts due from them. Based on the legal opinion, the management considers that if the recovery suits succeed entirely or partially and result in recovery of an amount from clients, the only obligation of the Company is to remit the same to ABN AMRO. Whereas in case the recovery suits are unsuccessful, the aforesaid loan will lapse for all purposes and it will extinguish the recovery of loans from clients and this will not affect, in any manner, the financial position of the Company, as it does not have any obligation to pay any amounts to ABN AMRO from its own sources. The defaulting clients had made a counter claim in the said proceedings. The eventual outcome of these cases or counter claims is uncertain at this stage.

The Company has agreed to indemnify ABN AMRO, its directors and affiliates from any or all claims which may be finalized against the Company except for those mentioned above. The existence and the magnitude of any such claims, other than mentioned in these financial statements, are not presently known.

**24.1.2** Mr. Assad ullah Sajid has filed a petition with Securities and Exchange Commission of Pakistan against the Company for refund of deposit of Rs. 590,740 deposited for purchase of shares on his behalf. The management is confident that the matter will be decided in the Company's favour.

**24.1.3** During the year 2007-08, Securities and Exchange Commission of Pakistan (SECP) served a show cause notice to the Company under Section 4 & 5 of Listed Companies (Substantial Acquisition of Voting shares and Takeovers) Ordinance 2002, alleging that the Company has facilitated certain investors in acquisition of approximately 39% shares of Haseeb Waqas Sugar Mills Limited. The Company has submitted its reply to the show cause notice to the SECP. SECP has decided the case and has imposed a fine of Rs. 500,000/- on the Company. The Company has filed an appeal in Appellate Tribunal SECP against the aforesaid order, which is in process.

**24.1.4** During the year 2007-2008, a claim of Rs. 12,540,356 against loss on trading of shares has been filed by a client, Mr. Hassan Yusuf, which is not acknowledged as debt by the Company.

**24.1.5** The return for Tax year 2003 was selected for total audit under section 177 of the Income Tax Ordinance 2001. The Taxation Officer reassessed the Income for the tax year 2003 reducing refund from Rs 6.4 million to Rs.5.4 million. The Company filed appeal to the Commissioner of Income Tax (Appeals) against the order of the taxation officer and partial relief has been allowed by the Commissioner of Income Tax (Appeals). The Company has filed appeal against the order of Commissioner of Income Tax (Appeals) in the Honourable Income Tax Appellate Tribunal. The management is confident that the appeal will be decided in favour of the Company.

The Taxation Officer reassessed the Income for the Tax year 2004 under section 122(5A) of the Income Tax Ordinance, 2001, by increasing the tax liability upto Rs.1.4 million on account of apportionment of expenses to capital gain. The Company has filed appeal before the Commissioner of Income Tax (Appeals) against the said order. The management is confident that the appeal will be decided in favour of the Company.

**24.1.6** During the year 2008-09, M/s Savari (Pvt) Limited, Muhammad Rafi Khan, Muhammad Shafi Khan and Aura (Pvt) Limited, the clients of the Company has defaulted to pay their debts Rs. 239,900,022/-. The Company has filed a suit for recovery from these clients. The Management is confident that company would be able to recover the above stated debt.

**24.1.7** During the year 2009 - 10 the Company has lodged a complaint to Securities and Exchange Commission of Pakistan for taking appropriate action against the Universal Equities (Pvt) Limited for dishonoured cheque of Rs. 1,000,000/- tendered as part payment towards its outstanding liability by Universal Equities (Pvt) Limited by the Company and for recovery of Rs. 25.20 million till February 2010. The Universal Equities (Pvt) Limited has filed a suit for permanent injunction alleging therein that the Company be directed not to initiate criminal proceedings against the dishonoured cheque. The Learned Trial Court has declined to issue injunctive order in this regard against the Company. The Learned Appellate Court has also turned down the request of the Universal Equities (Pvt) Limited to interfere in the order of the Learned Trial Court passed in favour of the Company.

The Company has also filed an application for winding up the Universal Equity (Pvt.) Limited in Honourable Lahore High Court.

**24.1.8** During the year, the guarantee of T Bills amounting of Rs. 8,905,068/- has been given to Karachi Stock Exchange Limited against exposure by parent company.

**24.1.9** During the year 2010 - 11, the JS Bank Limited demanded immediate repayment of outstanding liabilities in relation to finance facilities availed by the Company and a Notice u/s 176 of the "Contract Act 1872" was served to the Company by the JS Bank whereby selling of all pledged securities was threatened if the outstanding liability was not discharged. The Company has filed a suit before the Sindh High Court at Karachi under the original banking jurisdiction for recovery of an aggregate amount of Rs. 318,915,192/- on account of actual losses and accrued damages against the JS Bank Limited for charging the exorbitant interest rate and unilaterally changing the margin requirements of the securities pledged with JS Bank Limited and alleged sale of some of pledged securities. The Company has raised strong legal and factual objections in respect to the threatened sale of the pledged securities and has obtained an injunctive order whereby the JS Bank Limited has been restrained from selling the securities pledged by the Company. The Company is very much confident of success of the case in its favour.

**24.1.10** A case was filed in the Sindh High Court for the Recovery of Rs. 5,161,670 along further mark up of 20 % from the date of suit till realization against loss on trading of shares from Mr. Nazimuddin Siddique who act as agent of the Company under brokerage agency agreement. The outstanding balance is against various clients under the agency agreement.

**24.1.11** The Company has entered into an arrangement with different commercial banks for the rescheduling / restructuring of their financial liabilities. The bank has frozen/waived off their accrued markup and any further markup on certain terms and conditions. The main issue in this restructuring is that if the company failed on a single issue, the concession / reliefs shall stand withdrawn. The Company is very much confident that they will adhere to all the terms and conditions.

## 24.2 Commitments

Company has agreed to pay further sums, with respect to bindings legal agreements for items stated below:

|                                   | Less than<br>one year<br>Rupees | One year<br>and above<br>Rupees |
|-----------------------------------|---------------------------------|---------------------------------|
| <b>Commitments in respect of:</b> |                                 |                                 |
| Sale of shares                    | 410,322,357                     | -                               |
| Purchase of shares                | 419,558,295                     | -                               |

|  | Note | 2013<br>Rupees | 2012<br>Rupees |
|--|------|----------------|----------------|
| <b>25 OTHER OPERATING INCOME</b>           |      |                |                |
| Return on deposit accounts                 |      | 1,790,230      | 1,215,965      |
| Dividend income                            |      | 2,461,085      | 529,000        |
| Gain on sale of property and equipment     |      | 2,924,648      | 4,441,700      |
| Gain on foreign currency translation       |      | 290            | 516            |
| Provision for Doubt ful debts written back |      | -              | 397,533        |
| Accrued Interest written back              |      | -              | 194,585,798    |
| Deferred Notional Income                   | 18.2 | 174,023,919    | 580,546,760    |
| Rental Income                              |      | 1,544,028      | 1,528,056      |
| Gain on exchange of intangible asset       | 8.2  | 21,873,830     | -              |
| Others                                     |      | 6,024,167      | 3,141,296      |
|  |      | 210,642,197    | 786,386,624    |

|                                       | Note | 2013<br>Rupees | 2012<br>Rupees |
|---------------------------------------|------|----------------|----------------|
| <b>26 OPERATING EXPENSES</b>          |      |                |                |
| Salaries and benefits                 |      | 62,493,241     | 66,034,651     |
| Provision for gratuity                | 19.1 | 7,151,572      | 9,339,437      |
| Stock Exchange and settlement charges |      | 3,344,915      | 2,286,003      |
| Rent, rates and taxes                 |      | 4,179,324      | 4,378,765      |
| Communication                         |      | 4,198,964      | 4,366,473      |
| Utilities                             |      | 2,723,993      | 2,691,077      |
| Insurance                             |      | 1,014,919      | 1,802,500      |
| Printing and stationery               |      | 552,023        | 608,084        |
| Traveling and conveyance              |      | 2,534,892      | 4,767,512      |
| Repair and maintenance                |      | 3,891,188      | 3,467,703      |
| Postage and courier                   |      | 756,891        | 618,739        |
| Newspaper and periodicals             |      | 159,732        | 137,872        |
| Entertainment                         |      | 1,484,803      | 989,956        |
| Legal and professional                |      | 1,322,324      | 108,310        |

|                                    | Note | 2013<br>Rupees     | 2012<br>Rupees       |
|------------------------------------|------|--------------------|----------------------|
| Provision for doubtful debts       | 10.1 | -                  | 889,915,045          |
| Bad debts written off directly     |      | -                  | 686                  |
| Advertisement                      |      | 6,490              | 71,000               |
| Auditors' remuneration             | 26.1 | 1,009,000          | 929,000              |
| Depreciation                       | 6.1  | 6,129,812          | 7,499,336            |
| Fee and subscription               |      | 1,742,596          | 2,423,971            |
| CDC and stamps charges             |      | 2,096,930          | 2,673,102            |
| Other expenses                     |      | 17,813,632         | 1,122,078            |
|                                    |      | <u>124,607,242</u> | <u>1,006,231,300</u> |
| <b>26.1 Auditors' remuneration</b> |      |                    |                      |
| Statutory audit                    |      | 600,000            | 600,000              |
| Half year review                   |      | 200,000            | 200,000              |
| Certifications                     |      | 209,000            | 129,000              |
|                                    |      | <u>1,009,000</u>   | <u>929,000</u>       |
| <b>27 FINANCE COST</b>             |      |                    |                      |
| Mark-up on short term borrowings   |      | 30,243,615         | 30,243,615           |
| Mark-up on repurchase agreements   |      | 9,141,192          | 9,141,189            |
| Mark-up on long term financing     |      | 121,818,451        | 284,397,130          |
| Mark up Amortized                  | 18.2 | 214,396,853        | 82,277,645           |
| Bank charges and commission        |      | 253,182            | 266,361              |
|                                    |      | <u>375,853,293</u> | <u>406,325,940</u>   |
| <b>28 TAXATION</b>                 |      |                    |                      |
| Current                            |      | 829,716            | 1,337,831            |
| Prior Year                         |      | -                  | -                    |
|                                    |      | <u>829,716</u>     | <u>1,337,831</u>     |

**28.1** In view of the unused tax losses provisions made represents minimum tax under section 113 of the Income tax Ordinance, 2001. In addition to the above, the provision includes taxation on capital gains in respect of income arising from such source.

**28.2** The returns of total income for the Tax Year 2005 to 2012 were filed by the Company under self assessment scheme and are deemed to be assessed.

**28.3** The Company has a deferred tax asset on unused tax losses and deductible temporary differences. Tax losses will be carried forward for six years only, in accordance with the Income Tax Ordinance, 2001. However, in view of taxable profits not available in foreseeable future, the Company has not recognised deferred tax assets in these financial statements.

**28.4** Since the Company is liable to pay minimum tax, therefore, no numerical tax reconciliation is produced.



|   | 2013<br>Rupees       | 2012<br>Rupees      |
|---|----------------------|---------------------|
| <b>29 LOSS PER SHARE - BASIC AND DILUTED</b>                        |                      |                     |
| Loss after taxation attributable to ordinary share holders - Rupees | <u>(176,940,678)</u> | <u>(68,334,763)</u> |
| Number of ordinary shares   | <u>108,031,500</u>   | <u>108,031,500</u>  |
| Loss per share - Basic and Diluted - Rupees per share               | <u>(1.64)</u>        | <u>(0.63)</u>       |

**29.1** No figure for diluted loss per share has been disclosed as the Company has not issued any instrument which would have an impact on earnings per share, when exercised.

### 30. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the terms of their employment disclosed in note 32 are as follows:

|                            | 2013               |                |  |                       |
|----------------------------|--------------------|----------------|--|-----------------------|
|                            | Associated Company | Parent Company | Key management personnel of the entity, its parent and their closed family members | Other Related Parties |
|                            | Rupees             | Rupees         | Rupees   | Rupees                |
| Brokerage income           | -                  | 727,051        | -  | -                     |
| Investment property        | -                  | 135,299,600    | -  | -                     |
| Long term loan obtained    | -                  | 107,010,000    | -  | -                     |
| Long term loan paid        | -                  | 221,447,883    | -  | -                     |
| Interest on long term loan | -                  | 17,979,386     | -  | -                     |

|                            | 2012               |                |  |                       |
|----------------------------|--------------------|----------------|--|-----------------------|
|                            | Associated Company | Parent Company | Key management personnel of the entity, its parent and their closed family members | Other Related Parties |
|                            | Rupees             | Rupees         | Rupees   | Rupees                |
| Brokerage income           | -                  | 156,935        | -  | -                     |
| Investment property        | -                  | 65,888,480     | -  | -                     |
| Long term loan obtained    | -                  | 82,465,992     | -  | -                     |
| Long term loan paid        | -                  | 6,500,000      | -  | -                     |
| Interest on long term loan | -                  | 1,841,394      | -  | -                     |

**30.1** The amounts due to / due from related parties are disclosed in respective notes to the financial statements.

### 31 FINANCIAL INSTRUMENTS

The Company finances its operations through equity, borrowings and management of working capital with a view to obtain a reasonable mix between the various source of finance to minimize the risk.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

### 31.1 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. Concentrations of credit risk arise 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. Concentrations of credit risk indicate the relative sensitivity of a Company's performance to developments affecting a particular industry. The Company manages its credit risk by the following methods:

- Monitoring of debts on continuous basis
- Deposit of margins before execution of orders for all retail clientele.
- Obtaining adequate securities for all receivables / fund placements.

#### 31.1.1 Exposure to credit risk

The carrying values of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

|  | 2013<br>Rupees       | 2012<br>Rupees       |
|--|----------------------|----------------------|
| Investments - available for sale         | 101,255,543          | 91,622,788           |
| Long term deposits and advances          | 2,875,000            | 2,875,000            |
| Trade debts - unsecured                  | 2,254,036,978        | 2,300,120,868        |
| Investments                              | 29,838,098           | 160,450,284          |
| Advances, deposits and other receivables | 23,417,284           | 24,306,872           |
| Interest accrued                         | 337,079              | 528,872              |
| Bank balance                             | 17,974,922           | 10,366,921           |
|  | <u>2,429,734,904</u> | <u>2,590,271,605</u> |

The credit quality of financial assets can be assessed by reference to external credit rating as follows: defaults.

|   | Rating     |           | Rating Agency | 2013              | 2012              |
|---|------------|-----------|---------------|-------------------|-------------------|
|   | Short Term | Long Term |               | Rupees            | Rupees            |
| Askari Bank Limited                     | A 1 +      | AA        | PACRA         | 602,987           | 296,486           |
| Bank Alfalah Limited                    | A 1 +      | AA        | PACRA         | 634,356           | 401,892           |
| Bank Al Habib Limited                   | A 1 +      | AA +      | PACRA         | 60,080            | 68,563            |
| Faysal Bank Limited                     | A 1 +      | AA        | PACRA         | 765,049           | 18,142            |
| Habib Bank Limited                      | A- 1 +     | AAA       | JCR - VIS     | -                 | 4,010             |
| Habib Metropolitan Bank Limited         | A 1 +      | AA +      | PACRA         | 163,095           | 200,291           |
| KASB Bank Limited                       | A 3        | BBB       | PACRA         | 9,026             | 9,626             |
| MCB Bank Limited                        | A 1 +      | AAA       | PACRA         | 12,669,482        | 8,175,629         |
| NIB Bank Limited                        | A 1 +      | AA        | PACRA         | 224,128           | 161,762           |
| Silk Bank Limited                       | A -2       | A -       | JCR - VIS     | 3,444             | 10,732            |
| Standard Chartered Bank of Pakistan Ltd | A 1 +      | AAA       | PACRA         | 2,831,793         | 869,032           |
| Summit Bank Limited                     | A -3       | A -       | JCR - VIS     | 9,838             | 149,112           |
| United Bank Limited                     | A- 1 +     | AA        | JCR - VIS     | 1,643             | 1,643             |
|   |            |           |               | <u>17,974,922</u> | <u>10,366,921</u> |

#### 31.1.2 The age of trade debts at the reporting date was:

|                                  | 2013<br>Rupees       | 2012<br>Rupees       |
|----------------------------------|----------------------|----------------------|
| <b>Past due but not impaired</b> |                      |                      |
| Past due 0 - 30 days             | 7,144,637            | 2,904,833            |
| Past due 30 - 90 days            | 2,158,370            | 429,638,955          |
| Past due 90 - 180 days           | 648,213              | 76,344,615           |
| Past due 180 - 365 days          | 6,512,051            | 144,908,471          |
| More then 1 year                 | 2,237,573,707        | 1,646,323,994        |
|                                  | <u>2,254,036,978</u> | <u>2,300,120,868</u> |

During the year, trade debts of Rs. Nil (2012 : Rs. 889,915,730) were provided for / written off.

### 31.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company believes that it is not exposed to any significant level of liquidity risk.

The following are the contractual maturities of financial liabilities as on June 30, 2013.

|  | Carrying Amount      | One month to three months | Three months to one year | One year to five year | More than five years |
|--|----------------------|---------------------------|--------------------------|-----------------------|----------------------|
| Long term financing                              | 2,547,262,710        | 67,813,000                | 82,767,000               | 2,396,682,710         | -                    |
| Trade & other payables - Unsecured               | 163,555,188          | 163,555,188               | -                        | -                     | -                    |
| Liability against repurchase agreement - secured | 48,111,520           | 48,111,520                | -                        | -                     | -                    |
| Short term borrowing -                           | 171,561,040          | -                         | 171,561,040              | -                     | -                    |
| Interest accrued                                 | 814,276,713          | 106,194,903               | -                        | 708,081,810           | -                    |
|  | <b>3,744,767,171</b> | <b>385,674,611</b>        | <b>254,328,040</b>       | <b>3,104,764,520</b>  | <b>-</b>             |

The following are the contractual maturities of financial liabilities as on June 30, 2012

|  | Carrying Amount      | One month to three months | Three months to one year | One year to five year | More than five years |
|--|----------------------|---------------------------|--------------------------|-----------------------|----------------------|
| Long term financing                              | 2,679,699,393        | 2,853,000                 | 58,559,000               | 2,618,287,393         | -                    |
| Trade & other payables - Unsecured               | 375,789,820          | 375,789,820               | -                        | -                     | -                    |
| Liability against repurchase agreement - secured | 48,111,520           | 48,111,520                | -                        | -                     | -                    |
| Short term borrowing -                           | 171,561,040          | -                         | 171,561,040              | -                     | -                    |
| Interest accrued                                 | 675,700,735          | 55,364,369                | -                        | 620,336,366           | -                    |
|  | <b>3,950,862,508</b> | <b>482,118,709</b>        | <b>230,120,040</b>       | <b>3,238,623,759</b>  | <b>-</b>             |

### 31.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

#### 31.3.1 Currency risk

Currency risk arises mainly where payables/receivables exist due to transactions with foreign clients. The company does not view hedging as being financially feasible owing to the excessive cost involved in relation to the amount at risk.

|                               | 2013         |           | 2012         |           |
|-------------------------------|--------------|-----------|--------------|-----------|
|                               | Rupees       | US Dollar | Rupees       | US Dollar |
| Foreign Currency Bank Account | 6,224        | 63        | 5,933        | 63        |
|                               | <b>6,224</b> | <b>63</b> | <b>5,933</b> | <b>63</b> |

The following significant exchange rates applied during the year

|            | Average Rates |             | Reporting date rate |             |
|------------|---------------|-------------|---------------------|-------------|
|            | 2013 Rupees   | 2012 Rupees | 2013 Rupees         | 2012 Rupees |
| US Dollars | 96.44         | 90.99       | 98.60               | 94.00       |

#### Sensitivity analysis

A 5 % strengthening of Pak Rupees against the above currency would have decreased equity and decrease in Profit & Loss Account by Rs. 302 (June 2012 ; Rs. 296). This analysis assumes that all other variables were held constant.

A 5 % weakening of Rupee would have an equal but opposite effect.

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

### 31.3.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.. The Company's exposure to interest rate risk and the effective interest rates of its financial assets and financial liabilities are summarised as follows:

|  | Interest bearing                 |                                 |                               |                            | Non interest bearing             |                                 |                               |                            | Total                  |
|--|----------------------------------|---------------------------------|-------------------------------|----------------------------|----------------------------------|---------------------------------|-------------------------------|----------------------------|------------------------|
|  | One month to three months Rupees | Three months to one year Rupees | One year to five years Rupees | More than five year Rupees | One month to three months Rupees | Three months to one year Rupees | One year to five years Rupees | More than five year Rupees |                        |
| <b>Financial assets 2013</b>                     |                                  |                                 |                               |                            |                                  |                                 |                               |                            |                        |
| Investments - available for sale                 | -                                | -                               | -                             | -                          | -                                | -                               | 101,255,543                   | -                          | 101,255,543            |
| Long term deposits and advances                  | -                                | -                               | -                             | -                          | -                                | -                               | 2,875,000                     | -                          | 2,875,000              |
| Trade debts - unsecured                          | -                                | -                               | 2,254,036,978                 | -                          | -                                | -                               | -                             | -                          | 2,254,036,978          |
| Investments                                      | -                                | -                               | 29,838,098                    | -                          | -                                | -                               | -                             | -                          | 29,838,098             |
| Advances, deposits and other receivables         | 13,434,438                       | -                               | 9,982,845                     | -                          | -                                | -                               | -                             | -                          | 23,417,284             |
| Interest accrued                                 | 11,254,025                       | -                               | 337,079                       | -                          | -                                | -                               | -                             | -                          | 337,079                |
| Bank balances                                    | 24,688,463                       | -                               | 6,720,897                     | -                          | -                                | -                               | -                             | -                          | 17,974,922             |
| Effective interest rates                         | 2% to 6%                         | -                               | 2,300,915,899                 | -                          | -                                | -                               | 104,130,543                   | -                          | 2,429,734,904          |
| <b>Financial liabilities 2013</b>                |                                  |                                 |                               |                            |                                  |                                 |                               |                            |                        |
| Long term financing                              | 67,813,000                       | 82,767,000                      | 2,396,682,710                 | -                          | -                                | -                               | -                             | -                          | 2,547,262,710          |
| Trade & other payables - Unsecured               | -                                | -                               | -                             | -                          | 163,555,188                      | -                               | -                             | -                          | 163,555,188            |
| Liability against repurchase agreement - secured | 48,111,520                       | -                               | -                             | -                          | -                                | -                               | -                             | -                          | 48,111,520             |
| Short term borrowing - secured                   | -                                | 171,561,040                     | -                             | -                          | -                                | -                               | -                             | -                          | 171,561,040            |
| Interest accrued                                 | -                                | -                               | -                             | -                          | 106,194,903                      | -                               | 708,081,810                   | -                          | 814,276,713            |
|  | 115,924,520                      | 254,328,040                     | 2,396,682,710                 | -                          | 269,750,092                      | -                               | 708,081,810                   | -                          | 3,744,767,171          |
| <b>On balance sheet gap</b>                      | <b>(91,236,057)</b>              | <b>(254,328,040)</b>            | <b>(2,396,682,710)</b>        | <b>-</b>                   | <b>2,031,165,807</b>             | <b>-</b>                        | <b>(603,951,267)</b>          | <b>-</b>                   | <b>(1,315,032,267)</b> |
| <b>Off balance sheet gap</b>                     |                                  |                                 |                               |                            |                                  |                                 |                               |                            |                        |
| <b>Financial assets 2012</b>                     |                                  |                                 |                               |                            |                                  |                                 |                               |                            |                        |
| Investments - available for sale                 | -                                | -                               | -                             | -                          | -                                | -                               | 91,622,788                    | -                          | 91,622,788             |
| Long term deposits and advances                  | -                                | -                               | -                             | -                          | -                                | -                               | 2,875,000                     | -                          | 2,875,000              |
| Trade debts - unsecured                          | -                                | -                               | 2,300,120,868                 | -                          | -                                | -                               | -                             | -                          | 2,300,120,868          |
| Investments                                      | -                                | -                               | 160,450,284                   | -                          | -                                | -                               | -                             | -                          | 160,450,284            |
| Advances, deposits and other receivables         | 11,242,008                       | -                               | 13,064,864                    | -                          | -                                | -                               | -                             | -                          | 24,306,872             |
| Interest accrued                                 | 6,714,150                        | -                               | 528,872                       | -                          | -                                | -                               | -                             | -                          | 528,872                |
| Bank balances                                    | 17,956,158                       | -                               | 3,652,771                     | -                          | -                                | -                               | -                             | -                          | 10,366,921             |
| Effective interest rates                         | 2% to 20%                        | -                               | 2,477,817,659                 | -                          | -                                | -                               | 94,497,788                    | -                          | 2,590,271,605          |
| <b>Financial liabilities 2012</b>                |                                  |                                 |                               |                            |                                  |                                 |                               |                            |                        |
| Long term financing                              | 2,853,000                        | 58,559,000                      | 2,618,287,393                 | -                          | -                                | -                               | -                             | -                          | 2,679,699,393          |
| Trade & other payables - Unsecured               | -                                | -                               | -                             | -                          | 375,789,820                      | -                               | -                             | -                          | 375,789,820            |
| Liability against repurchase agreement - secured | 48,111,520                       | -                               | -                             | -                          | -                                | -                               | -                             | -                          | 48,111,520             |
| Short term borrowing - secured                   | -                                | 171,561,040                     | -                             | -                          | -                                | -                               | -                             | -                          | 171,561,040            |
| Interest accrued                                 | 50,964,520                       | 230,120,040                     | 2,618,287,393                 | -                          | 55,364,369                       | -                               | 620,336,366                   | -                          | 675,700,735            |
|  | <b>(33,008,362)</b>              | <b>(230,120,040)</b>            | <b>(2,618,287,393)</b>        | <b>-</b>                   | <b>431,154,189</b>               | <b>-</b>                        | <b>620,336,366</b>            | <b>-</b>                   | <b>3,950,862,508</b>   |
| <b>On balance sheet gap</b>                      | <b>(33,008,362)</b>              | <b>(230,120,040)</b>            | <b>(2,618,287,393)</b>        | <b>-</b>                   | <b>2,046,663,470</b>             | <b>-</b>                        | <b>(525,838,578)</b>          | <b>-</b>                   | <b>(1,360,590,903)</b> |
| <b>Off balance sheet gap</b>                     | <b>-</b>                         | <b>-</b>                        | <b>-</b>                      | <b>-</b>                   | <b>-</b>                         | <b>-</b>                        | <b>-</b>                      | <b>-</b>                   | <b>-</b>               |

### 31.3.3 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/mark up 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 or similar financial instruments traded in the market. Company is exposed to equity price risk since it has investments in quoted and unquoted equity securities amounting to Rs. 131,093,641 (2012 : Rs. 251,073,072) at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable. Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the balance sheet date except for, unquoted investments which are carried at cost. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

#### Sensitivity analysis

For price sensitivity analysis it is observed that KSE 100 index has increased by 52.20% during the year but subsequent to the year end and till the authorization of these financial statements an increase of 10.54% in KSE 100 index has been recorded.

### 31.3.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount that would be received to sell an asset or paid to transfer liability in an ordinary transaction between market participants at the measurement date.

## 31.4 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structure in order to ensure ample availability of finance for its existing operations, for maximizing shareholder's value, for tapping potential investment opportunities and to reduce 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 or issue new shares.

The Company finances its operations through equity, borrowing and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

During the year the Company has no significant gearing.

Neither there were any change in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements.

**32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

|                             | Chief Executive  |           | Directors         |            | Executives        |            |
|-----------------------------|------------------|-----------|-------------------|------------|-------------------|------------|
|                             | 2013             | 2012      | 2013              | 2012       | 2013              | 2012       |
|                             | 1                | 1         | 5                 | 5          | 8                 | 11         |
| Total Number                | Rupees           | Rupees    | Rupees            | Rupees     | Rupees            | Rupees     |
| Managerial Remuneration     | 1,580,000        | 1,580,000 | 8,094,667         | 6,312,000  | 8,135,613         | 9,507,667  |
| House Rent                  | 632,000          | 632,000   | 3,237,867         | 2,524,800  | 3,254,245         | 3,803,067  |
| Commission                  | -                | -         | -                 | -          | -                 | 58,254     |
| Medical Expenses Reimbursed | 61,444           | -         | -                 | 17,934     | -                 | -          |
| Gratuity paid               | -                | -         | 395,022           | 1,504,978  | 720,000           | 1,495,000  |
| Utilities                   | 158,000          | 158,000   | 809,467           | 631,200    | 813,561           | 950,767    |
|                             | <b>2,431,444</b> | 2,370,000 | <b>12,537,023</b> | 10,990,912 | <b>12,923,419</b> | 15,814,755 |

**32.1** In addition, Chief Executive, Directors and some executives have been provided with Company maintained cars.

**32.2** No meeting fees were paid to any of the directors for attending the Board/ Audit Committee meetings (2012: Nil).

**33 AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue by the Board of Directors of the Company on October 03, 2013.

**34 GENERAL**

Figures have been rounded off to the nearest rupee.

Lahore

  
 Chief Executive

  
 Director



**FORM OF PROXY**

The Company Secretary  
First Capital Equities Limited  
2nd Floor, Pace Shopping Mall,  
Fortress Stadium, Lahore-Cantt., Lahore.

Folio No./CDC A/c. No. \_\_\_\_\_

Shares Held: \_\_\_\_\_

I / We \_\_\_\_\_ of \_\_\_\_\_  
(Name) (Address)

being the member (s) of **First Capital Equities Limited** hereby appoint Mr. / Mrs./

Miss \_\_\_\_\_ of \_\_\_\_\_  
(Name) (Address)

or failing him / her / Mr. / Mrs. / Miss. \_\_\_\_\_ of \_\_\_\_\_  
(Name) (Address)

[who is also member of the Company vide Registered Folio No. \_\_\_\_\_ (being the member of the Company)] as my / our proxy to attend at and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held at Registered Office of the Company, 2nd Floor, Pace Shopping Mall, Fortress Stadium, Lahore-Cantt., Lahore on October 31, 2013 at 4:00 p.m. and at any adjournment thereof.

Signature this \_\_\_\_\_ Day of \_\_\_\_\_ 2013.

(Witnesses)

1. \_\_\_\_\_

2. \_\_\_\_\_

**Affix Revenue Stamp  
of Rupees Five**

Signature \_\_\_\_\_

(signature appended should agree with the specimen signature registered with the Company)

**Notes:**

1. This Proxy Form, duly completed and signed, must be received at the Registered Officer of the Company not later than 48 hours before the time of holding the meeting.
2. No person shall act as a proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. CDC account holder, will further have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

