



FIRST CAPITAL EQUITIES LIMITED

CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED

DECEMBER 31, 2013

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*

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COMPANY INFORMATION

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

DIRECTORS' REVIEW

The Directors of First Capital Equities Limited are pleased to present the un-audited condensed interim financial statements of the Company for the half year ended December 31, 2013.

CAPITAL MARKET REVIEW

In its first half of FY14, Pakistan market witnessed an upward trend with equity values registering handsome gain of 20% or 4,255 points. Pakistan's key index closed the period at 25,261 points as against 21,006 on end-Jun 2013. The period concluded with PRs6.05tn of Market capitalization. Despite dull 1QFY14 performance, the KSE-100 index managed to provide double digit return to the investors during the first half of FY14 on cumulative basis. That said, the market gained around 3,428 points during 2QFY14 translating into 16% return. In our opinion, approval of US\$6.64bn loan by IMF, economic restructuring measures mainly related to the energy issues, grant of GSP-plus status by EU and improved corporate earnings lifted investors' confidence at local market and were the main reasons behind such buoyant performance during 2QFY14. In addition, relative improvement in law & order situation following the launch of Karachi operation, partial settlement of power crisis, measures for fiscal repair and government's intervention to control the collapsing local currency triggered the previously dull business activity and settled the investors' economic concerns. Meanwhile, in its Monetary Policy review of November 2013, the SBP raised the discount rate by 50bps to 10% - a decision mainly influenced by the food prices & power tariff rationalization that pushed the CPI index higher. Foreign investors also remained active during the period with cumulative figure of SCRA marked at US\$89mn on end-Dec 2013.

The turnover remained higher and on average 193mn shares (PRs7.9bn or US\$75mn) were traded in the ready market. During the same period of last year, the average daily volume in the ready counter was recorded at 149mn shares (PRs4.2bn or US\$44mn).

FINANCIAL HIGHLIGHTS

Following is the key financial highlights of your Company for the period;

Particulars	July to Dec 2013	July to Dec 2012
	Rupees	
Brokerage income	63,860,729	34,951,733
Capital (loss)/gain - net	(42,561,687)	459,792
Other operating income	88,334,851	392,310,716
Unrealized (loss)/gain on re-measurement of investments at fair value through profit or loss	(155,737)	20,714,741
Operating expenses	72,912,912	50,941,607
Finance costs	168,025,979	261,004,897
(Loss) / profit before taxation	(131,460,735)	136,490,478
(Loss) / profit after taxation	(132,099,342)	135,810,782
(Loss) / Earnings per share	(1.22)	1.26

Your Company reported a loss of Rs 132 million in 1HFY14. The brokerage income of your Company improved by 83% YoY at Rs 64 million during the half versus that of Rs 35 million previously. Nonetheless, other income dropped by 77% to Rs 88 million during the period under review. Meanwhile, the Company booked Capital loss of Rs 42 million. That said, on overall

basis, the income segment depicted bleak performance and recorded 76% decline. Operating expenses registered 44% increase at Rs 73 million while financial charges registered 36% decline at Rs 168 million, respectively. The company ended the period with net loss of Rs 132 million as against profit of Rs 136 million in the same period of last year.

FUTURE OUTLOOK

Going forward, your Company's focused strategy would be based on providing quality service, broadening client base and controlling cost. With the improved regulatory environment and revival in the stock market, the management of your Company is committed to improve the revenue base and recover the losses.

CHANGE OF DIRECTOR

There is no change in the composition of the Board of Directors since last reported in annual financial statements of the Company for the year ended June 30, 2013.

ACKNOWLEDGEMENT

The Board of Directors wishes to place on record, their thanks and appreciation to all the shareholders and the banks for their continued valuable 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 continued hard work.

For and on behalf of the Board

Lahore
February 25, 2014


Mian Ehsan Ul Haq
Chairman and Chief Executive Officer

**FIRST CAPITAL EQUITIES LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS ON
REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**

Introduction

We have reviewed the accompanying condensed interim Balance Sheet of **First Capital Equities Limited** (the Company) as at December 31, 2013, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes thereto for the half year then ended (here-in-after referred to as "Interim financial information"). Management is responsible for the preparation and presentation of the interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2013 and December 31, 2012 have not been reviewed and we do not express our conclusion on them as we are required to review only the cumulative figures for the half year ended December 31, 2013.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the six months period ended December 31, 2013 is not prepared, in all material respects, in accordance with approved Accounting Standards as applicable in Pakistan relating to interim financial reporting.

The figures for the three months period ended December 31, 2013 and December 31, 2012 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the six months period ended December 31, 2013.

Place : Lahore
Date : February 25, 2014

**ASLAM MALIK & CO.
CHARTERED ACCOUNTANTS
MUHAMMAD ASLAM MALIK**

**FIRST CAPITAL EQUITIES LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2013**

	Note	Un-Audited December 31, 2013 Rupees	Audited June 30, 2013 Rupees
ASSETS			
NON - CURRENT ASSETS			
Property and equipment		62,156,982	64,897,196
Intangible assets	5	16,543,680	22,500,000
Investments - available for sale	6	40,659,545	101,255,543
Long term deposits and advances		2,879,000	2,875,000
		122,239,207	191,527,739
CURRENT ASSETS			
Trade debts - Unsecured	7	2,068,733,967	2,254,036,978
Investments	8	4,494,763	29,838,098
Investments property		1,463,751,500	1,463,751,500
Advances, deposits, prepayments and other receivables		46,594,371	26,809,844
Advance income tax		63,188,638	59,926,889
Interest accrued		-	337,079
Cash and bank balances		16,040,460	18,029,051
		3,662,803,699	3,852,729,439
TOTAL ASSETS		3,785,042,906	4,044,257,178
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital		1,100,000,000	1,100,000,000
Issued, subscribed and paid up share capital		1,080,315,000	1,080,315,000
Reserves		(41,921,708)	(69,449,316)
Unappropriated loss		(939,739,290)	(785,766,119)
TOTAL EQUITY		98,654,002	225,099,566
NON CURRENT LIABILITIES			
Long term financing	9	2,238,835,492	2,396,682,710
Interest accrued on long term financing		769,086,839	708,081,810
Staff retirement benefits		51,253,059	49,088,409
		3,059,175,389	3,153,852,929
CURRENT LIABILITIES			
Trade and other payables- Unsecured		173,442,800	163,555,188
Liabilities against repurchase agreements - Secured		-	48,111,520
Short term borrowing - Secured		171,561,040	171,561,040
Current portion of long term financing		165,430,000	150,580,000
Interest accrued		90,839,037	106,194,903
Provision for taxation		25,940,639	25,302,032
		627,213,515	665,304,683
CONTINGENCIES AND COMMITMENTS	10	-	-
TOTAL EQUITY AND LIABILITIES		3,785,042,906	4,044,257,178

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.

LAHORE:

CHIEF EXECUTIVE

DIRECTOR

**FIRST CAPITAL EQUITIES LIMITED
CONDENSED PROFIT AND LOSS ACCOUNT - (Un-audited)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

Note	SIX MONTHS ENDED		THREE MONTHS ENDED	
	July-Dec 2013 Rupees	July-Dec 2012 Rupees	Oct-Dec 2013 Rupees	Oct-Dec 2012 Rupees
INCOME				
Brokerage income	63,860,729	34,951,733	29,799,328	23,300,539
Capital (loss) / gain - net	(42,561,687)	459,792	(4,276)	464,657
Other operating income	88,334,851	392,310,716	86,599,001	391,416,013
	<u>109,633,894</u>	<u>427,722,241</u>	<u>116,394,054</u>	<u>415,181,209</u>
Unrealized (loss) / gain on re-measurement of investments at fair value through profit or loss	(155,737)	20,714,741	563,531	(8,912,317)
	<u>109,478,157</u>	<u>448,436,982</u>	<u>116,957,585</u>	<u>406,268,892</u>
EXPENDITURE				
Operating expenses	72,912,912	50,941,607	39,988,140	27,772,669
Finance costs	168,025,979	261,004,897	83,838,208	142,466,369
	<u>240,938,892</u>	<u>311,946,504</u>	<u>123,826,349</u>	<u>170,239,038</u>
(LOSS) / PROFIT BEFORE TAXATION	<u>(131,460,735)</u>	<u>136,490,478</u>	<u>(6,868,764)</u>	<u>236,029,854</u>
Taxation	638,607	679,696	297,993	556,817
(LOSS) / PROFIT AFTER TAXATION	<u>(132,099,342)</u>	<u>135,810,782</u>	<u>(7,166,757)</u>	<u>235,473,037</u>
(LOSS) / EARNING PER SHARE - BASIC AND DILUTED	11 (1.22)	1.26	(0.07)	2.18

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.

Lahore


Chief Executive


Director

**FIRST CAPITAL EQUITIES LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME-
(Un-audited)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

	SIX MONTHS ENDED		THREE MONTHS ENDED	
	July-Dec 2013 Rupees	July-Dec 2012 Rupees	Oct-Dec 2013 Rupees	Oct-Dec 2012 Rupees
Profit / (loss) after taxation	(132,099,342)	135,810,782	(7,166,757)	235,473,037
Other comprehensive income				
Surplus / (deficit) on remeasurement of investment available for sale	(10,860,578)	33,900,432	(2,062,903)	123,232,650
Reversal of gain on exchange of intangible assets	(21,873,830)	-	-	-
Total comprehensive profit / (loss) for the period	<u>(142,959,920)</u>	<u>169,711,214</u>	<u>(9,229,660)</u>	<u>358,705,687</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.

Lahore


Chief Executive


Director

FIRST CAPITAL EQUITIES LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS- (Un-audited)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013

Note	Jul-Dec 2013 Rupees	Jul-Dec 2012 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(131,460,735)	136,490,478
Add: Items not involved in movement of funds		
Depreciation	2,994,200	3,023,906
Gain / loss on re-measurement of investments at fair value through profit or loss - net	155,737	(20,714,741)
Deferred notional income	(49,647,551)	(174,023,919)
Provision for interest written back	(35,130,021)	(209,242,332)
Interest accrued	(878,812)	(567,487)
Interest expense	168,025,979	261,004,897
Gain on sale of property and equipment	(937,000)	(660,000)
Gain on foreign currency translation	(423)	(32)
Provision for gratuity	2,500,000	2,300,000
	<u>87,082,109</u>	<u>(138,879,707)</u>
	<u>(44,378,626)</u>	<u>(2,389,229)</u>
(Increase) / decrease in current assets		
Investments at fair value through profit or loss	25,187,598	-
Trade debts - unsecured	185,303,010	(4,381,413)
Advances, deposits, prepayments and other receivables	(19,784,514)	(4,677,679)
	<u>190,706,094</u>	<u>(9,059,092)</u>
Increase in current liabilities in trade and other payables		
	<u>9,887,612</u>	<u>13,385,403</u>
Cash used in operations	<u>156,215,080</u>	<u>1,937,082</u>
Interest received	1,215,891	812,268
Finance cost paid	(1,815,203)	(7,091,770)
Gratuity paid	(335,350)	(978,948)
Taxes paid	(3,261,749)	(1,988,105)
Net cash generated / (used in) from operating activities	<u>152,018,669</u>	<u>(7,309,474)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(254,000)	(6,200)
Proceeds from sale of property and equipment	937,000	660,000
Investments available for sale	72,206,096	-
Long term deposits and advances	(4,000)	-
Net cash generated from investing activities	<u>72,885,096</u>	<u>653,800</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance (paid) / obtained	(178,781,260)	3,976,069
Liabilities against repurchase agreements	(48,111,520)	-
Short term borrowings	-	-
Net cash (used in) / generated from financing activities	<u>(226,892,780)</u>	<u>3,976,069</u>
Effects of exchange rate changes in cash and cash equivalents	<u>423</u>	<u>32</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,989,014)</u>	<u>(2,679,573)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>18,029,051</u>	<u>10,399,433</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>16,040,460</u>	<u>7,719,860</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.

Lahore

Chief Executive

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FIRST CAPITAL EQUITIES LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - (Un-audited)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013

	Issued, subscribed and paid up capital	Capital Reserve			Revenue Reserve	Total
		Share Premium	Reserve for issue of bonus shares	Fair value reserve	Unappropriated Profit	
Rupees						
Balance as at June 30, 2012	1,080,315,000	-	-	(128,946,362)	(608,825,441)	342,543,197
Profit for the period after taxation	-	-	-	-	135,810,782	135,810,782
Other comprehensive income for the period						
Surplus on remeasurement of investment available for sale to fair value	-	-	-	33,900,432	-	33,900,432
Total other comprehensive income for the period - net of tax	-	-	-	33,900,432	-	33,900,432
Total comprehensive income for the period	-	-	-	33,900,432	135,810,782	169,711,214
Balance as at December 31, 2012	<u>1,080,315,000</u>	<u>-</u>	<u>-</u>	<u>(95,045,930)</u>	<u>(473,014,658)</u>	<u>512,254,410</u>
Total comprehensive income for the period						
Loss for the period after taxation	-	-	-	-	(312,751,460)	(312,751,460)
Other comprehensive income for the period						
Fair value reserve realised	-	-	-	52,578,493	-	52,578,493
Deficit on remeasurement of investment available for sale to fair value	-	-	-	(26,981,879)	-	(26,981,879)
Total other comprehensive income for the period - net of tax	-	-	-	25,596,614	-	25,596,614
Total comprehensive loss for the period	-	-	-	25,596,614	(312,751,460)	(287,154,846)
Balance as at June 30, 2013	<u>1,080,315,000</u>	<u>-</u>	<u>-</u>	<u>(69,449,316)</u>	<u>(785,766,119)</u>	<u>225,099,566</u>
Total comprehensive income for the period						
Loss for the period after taxation	-	-	-	-	(132,099,342)	(132,099,342)
Other comprehensive income for the period						
Fair value reserve realised	-	-	-	38,388,186	-	38,388,186
Reversal of gain on exchange of intangible assets	-	-	-	-	(21,873,830)	(21,873,830)
Deficit on remeasurement of investment available for sale to fair value	-	-	-	(10,860,578)	-	(10,860,578)
Total other comprehensive income for the period - net of tax	-	-	-	27,527,608	(21,873,830)	5,653,778
Total comprehensive loss for the period	-	-	-	27,527,608	(153,973,172)	(126,445,564)
Balance as at December 31, 2013	<u>1,080,315,000</u>	<u>-</u>	<u>-</u>	<u>(41,921,708)</u>	<u>(939,739,291)</u>	<u>98,654,002</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.

Lahore:

Chief Executive

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Director

**FIRST CAPITAL EQUITIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL
INFORMATION - (Un-audited)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

1 THE COMPANY AND ITS OPERATIONS

First Capital Equities Limited, (the "Company") was incorporated on January 26, 1995 as private limited company, under the Companies Ordinance, 1984. The Company was converted into Public Limited Company on June 18, 1997 and is listed on Lahore Stock Exchange. The Company is TREC holder of Karachi Stock Exchange Limited and the principal activities of the Company include share brokerage and conducting / publishing business research.

The Company is subsidiary of First Capital Securities Corporation Limited - a listed company which holds 70,190,200 (64.97%) ordinary shares of the Company. The registered office of the Company is located at 2nd Floor, Pace Shopping Mall, Fortress Stadium, Lahore-Cantt., Lahore.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information is un-audited and is prepared in accordance with the requirements of International Accounting Standards (IAS) 34 "Interim Financial Reporting" and are being presented to share holders under section 245 of Companies Ordinance, 1984. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended June 30, 2013.

This condensed interim financial information comprise of condensed interim balance sheet as at December 31, 2013 and the related condensed interim profit & loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes thereto, for the half year ended December 31, 2013.

3 ACCOUNTING POLICIES

Accounting policies adopted for the preparation of these condensed interim financial information is the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2013.

4. ESTIMATES

The preparation of the condensed interim financial information requires management to make adjustments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statement for the year ended June 30, 2013.

5 INTEGIBLE ASSETS

		December 31, 2013	June 30, 2013
		Rupees	Rupees
Trading Right Entitlement Certificate (TREC)			
Karachi Stock Exchange Limited	5.1	9,043,680	15,000,000
Room			
Karachi Stock Exchange Limited		7,500,000	7,500,000
		<u>16,543,680</u>	<u>22,500,000</u>

5.1 This represents Trading Right Entitlement Certificate (TREC) received from Karachi Stock Exchange Limited (KSE) in accordance with the requirements of the Stock Exchanges (Corporation, demutualization and Integration) Act, 2012 (The Act). The Company has also received shares of KSE after completion of the demutualization process. The TREC has been recorded at Rs. 9,043,680/- (for detail refer note 6.2).

6 INVESTMENTS - AVAILABLE FOR SALE

	Note	December 31, 2013	June 30, 2013
		Rupees	Rupees
Quoted Shares			
Media Times Limited	6.1	16,503,225	61,181,713
Unquoted Shares			
Karachi Stock Exchange Limited 4,007,383 shares of KSE (June 2013 : 4,007,383 shares)	6.2	24,156,320	40,073,830
		<u>40,659,545</u>	<u>101,255,543</u>
6.1	6,067,362 (June 2013 : 13,565,790) Fully paid ordinary shares of Rs. 10 each Equity Held 3.39% (June 2013 : 7.58%)	27,363,803	54,263,160
	(Loss)/gain on remeasurement of investment available for sale for the period / year	<u>(10,860,578)</u>	6,918,553
		<u>16,503,225</u>	<u>61,181,713</u>

6.2 During the year 2012-13, the demutualization of the Karachi Stock Exchange Limited (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 Company has also recorded a gain on exchange of intangible asset Rs. 21,873,830/-.

The Karachi Stock Exchange Limited (KSE) vide its notice # KSE/N-5639 dated October 10, 2013 to its TREC holders states that, "Nature and value of the asset given up (membership card) is similar to the nature and value of the asset acquired (shares and TREC). Therefore, exchange of asset will not result in any gain or loss. Further, it can be argued that de-recognition of the membership card has not accrued because the rights of the card holders were not lost any point during the exchange".

In this connection, paragraph 45 of IAS 38, *Inter-alla* states that where the fair value of neither the asset received nor the asset given up can be really measured, the cost of asset received should be measured at the carrying amount of the asset given up, and no gain or loss arise.

KSE is therefore of the view that there will not be any gain or loss recorded in the accounts of TREC holder on conversion of membership card at the time of acquisition of shares and TREC of KSE, after its demutualization.

Keeping in view the above guide lines of KSE, the management of the company has decided to reverse the gain on exchange of intangible asset Rs. 21,873,820/- and it has been routed through statement of changes in equity.

The 4,007,383 shares of KSE to its members including the Company has been determined on the basis of the fair valuation of the underlying asset and liabilities of the Stock exchange in accordance with requirements of the demutualization Act. In other words, shares of Rs. 40,073,830/- received by the company represents its share in the fair value of the net assets of the KSE. Under these circumstances where active market is not available for such shares, this net asset value based valuation has been considered as the closest estimate of the fair value of the shares.

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

Therefore, based on the above estimates of fair value of KSE shares (Rs. 40,073,830/-) and TREC (Rs. 15,000,000), the Company has allocated its carrying value in the ration of 0.7276 to shares and 0.2724 to TREC.

7 TRADE DEBTS - UNSECURED

	Note	December 31, 2013 Rupees	June 30, 2013 Rupees
Trade debts against purchase of shares:			
considered good:			
Clients		2,067,762,358	2,253,415,578
Members		971,610	621,400
		<u>2,068,733,967</u>	2,254,036,978
considered doubtful:			
Clients		1,092,901,226	1,092,901,226
Members		3,911,979	3,911,979
		<u>1,096,813,205</u>	1,096,813,205
Less: Provision for doubtful debts	7.1	<u>(1,096,813,205)</u>	(1,096,813,205)
		<u>2,068,733,967</u>	<u>2,254,036,978</u>
7.1 Provision for doubtful debts			
Opening balance		1,096,813,205	1,096,813,205
Provision for doubtful debts written back for the period / year		-	-
Charge for the period / year		-	-
Closing Balance		<u>1,096,813,205</u>	<u>1,096,813,205</u>

	Note	December 31, 2013 Rupees	June 30, 2013 Rupees
8 INVESTMENTS			
At fair value through profit or loss			
Quoted equity securities			
Carrying value / cost of investments		4,650,500	32,651,468
Unrealised loss on remeasurement of investments for the period / year		(155,737)	(2,813,370)
		<u>4,494,762</u>	<u>29,838,098</u>

9 LONG TERM FINANCING

Secured	9.1	2,826,377,632	3,005,158,891
Deferred notional income	9.2	(422,112,139)	(457,896,181)
		<u>2,404,265,493</u>	<u>2,547,262,710</u>
Less: Current portion shown under current liability		(165,430,000)	(150,580,000)
		<u>2,238,835,493</u>	<u>2,396,682,710</u>

9.1 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 (June 2013 : 8% to 20% and 3 months kibar plus 3% to 4%). 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 598,064,048 (June 2013 : 1,058,785,992) have been pledged by the Company.

9.2 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% (June 2013 : 9.13% to 12.06%) per annum being the 6 month KIBOR rate. Movement is as follows:

	December 31, 2013 Rupees	June 30, 2013 Rupees
Deferred notional income		
As at beginning of the period / year	457,896,181	498,269,115
Occurred during the period / year	49,647,551	174,023,919
Amortized during the period / year	(85,431,593)	(214,396,853)
As at end of the period / year	<u>422,112,139</u>	<u>457,896,181</u>

10 CONTINGENCIES AND COMMITMENTS

There is no change in contingencies and commitments disclosed in the annual financial statements for the year ended June 30, 2013 except for the following:

10.1 COMMITMENTS

	December 31, 2013 Rupees	June 30, 2013 Rupees
Sale of Shares	102,487,661	410,322,357
Purchase of shares	170,338,275	419,558,295

11 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise parent company, related group companies, local associated undertakings, directors, key management personnel and their close family members. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

Six Months Ended December 31, 2013			
Associated Company	Parent Company	Key management personnel of the entity, its parents and their close family members	Other Related Parties
Rupees			

Brokerage Income

-	345,349	-	-
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Six Months Ended December 31, 2012			
Associated Company	Parent Company	Key management personnel of the entity, its parents and their close family members	Other Related Parties
Rupees			

Long term loan obtained

-	7,010,000	-	-
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Mark up on long term loan

-	6,534,524	-	-
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11.1 The amount due to / due from related parties are disclosed in respective notes to the financial information.

12 (LOSS)/EARNINGS PER SHARE - BASIC AND DILUTED

	July 01, 2013 to December 31, 2013	July 01, 2012 to December 31, 2012
(Loss) / Profit after taxation attributable to ordinary share holders - Rupees	<u>(132,099,342)</u>	<u>135,810,782</u>
Weighted average number of ordinary shares - Number	<u>108,031,500</u>	<u>108,031,500</u>
(Loss) / Profit per share - Basic (Rupees per share)	<u>(1.22)</u>	<u>1.26</u>

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

13 DATE OF AUTHORIZATION

This condensed interim financial information were authorized for issue by the Board of Directors on February 25, 2014.

14 GENERAL

14.1 Figures have been rounded off to the nearest rupee.

Lahore


Chief Executive


Director