

ARIF HABIB 1857 PRIVATE) LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2014

	Note	<u>Rupees</u>
NON CURRENT ASSETS		
Intangible assets	5	9,500,000
Long term deposits		307,500
		9,807,500
CURRENT ASSETS		
Trade receivable	6	-
Other receivables		-
Cash & bank balances	7	39,543,900
		39,543,900
		49,351,399.87
 SHARE CAPITAL AND RESERVES		
Authorized Capital:		
10,000,000 Ordinary shares of Rs.10/- each		100,000,000
Issued, Subscribed & Paid-up Capital:		
5,000,000 Ordinary shares of Rs.10/- each fully paid in cash		50,000,000
Accumulated loss		(678,600)
		49,321,400
Current Liabilities		
Trade & other payables	8	30,000
Commitments	9	-
		49,351,400

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

CHIEF EXECUTIVE

DIRECTOR

ARIF HABIB 1857 PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM JULY 07, 2014 TO DECEMBER 31, 2014

	Capital	Accumulated loss	Total
		Rupees	
	-	-	-
Issue of shares for consideration of cash	50,000,000	-	50,000,000
Loss for the period ended 30th September 2014		(678,600)	(678,600)
Balance as at 30 September 2014	50,000,000	(678,600)	49,321,400

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

CHIEF EXECUTIVE

DIRECTOR

ARIF HABIB 1857 (PVT) LIMITED
CASH FLOW STATEMENT
For the period from 7th July 2014 to 31st December 2014

	Rupees
Cash Flow From Operating Activities	
Loss before Taxation	(678,600)
Adjustment for non-cash and other items	
Depreciation	-
(Gain)/Loss on disposal of available-for-sale Investments-net	-
Deferred Cost	-
Operating profit before Working Capital changes	<u>(678,600)</u>
Working Capital Changes	
(Increase) / decrease in Current Assets	
Trade debts	-
Advances, deposits, prepayments and other receivables	-
(Increase) / decrease in long-term deposits	-
Increase / (decrease) in long-term liability	-
Increase / (decrease) in accrued and other liabilities	30,000
Cash generated from operations	<u>(648,600)</u>
Net Cash Inflow From Operating Activities	<u><u>(648,600)</u></u>
Cash Flow From Investing Activities	
Intangible asset	(9,500,000)
Shareholders Equity	50,000,000
Long term deposits	(307,500)
Net Cash Inflow From Investing Activities	40,192,500
Cash Outflow From Financing Activities	
Dividend paid	-
Net increase in cash and cash equivalents	<u>39,543,900</u>
Cash and cash equivalents at beginning of the year	-
Cash and cash equivalents at the end of the year	<u><u>39,543,900</u></u>

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

Chief Executive

Director

ARIF HABIB 1857 (PVT) LTD.
Notes to the Financial Statements
For the period from 7th July 2014 to 31st December 2014

1. THE COMPANY AND ITS OPERATIONS

- 1.1** Arif Habib 1857 (Private) Limited was incorporated on 17 July 2014 as a private limited company in Pakistan under the Companies Ordinance, 1984. The registered office of the Company is located at Arif Habib Center, 23 M.T.Khan Road, Karachi. The principal activities of the company are investments and share brokerage. The company is a wholly owned subsidiary company of Arif Habib Limited. The company has purchased Trading Right Entitlement Certificate [TREC] from independent party and is in the process of registering itself with the SECP and other regulatory bodies.

2. BASIS OF PREPARATION

2.1 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.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for investments classified as held for trading which are stated at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the Company's functional currency. All financial information has been presented in Pakistan Rupees.

2.4 USE OF ESTIMATES AND JUDGEMENTS

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

Judgements made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are set forth below.

Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past.

3. AMENDMENTS / INTERPRETATION TO EXISTING STANDARD AND FORTHCOMING REQUIREMENTS

3.1 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.

3.2 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 are only effective for annual periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have a significant impact on the Company's financial statements, other than increased disclosures in certain cases:

- IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 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 levv.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after 1 January 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.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot

be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

- Amendment to IAS 36 'Impairment of Assets' - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 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.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 'Agriculture'. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual period beginning on or after 1 January 2016). The amendments to IAS 27 allow entities to use equity method to account for its investment in subsidiaries, joint ventures and associates in the Separate Financial Statements. Management is currently evaluating the implication of the amendment.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:
 - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
 - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
 - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
 - Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
 - IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity,

either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

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.

- The amendments in IAS 16 would result in reclassification of property, plant and equipment when the amended standard becomes applicable. The other 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 1 January 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 1 January 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 levv.
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 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. These are not expected to have any impact other than increased disclosures.
- Securities and Exchange Commission of Pakistan (SECP) vide SRO 633(1)/2014 dated 10 July 2014 has approved the below IFRSs:
 - IFRS 10 'Consolidated Financial Statements'
 - IFRS 11 'Joint Arrangements'
 - IFRS 12 'Disclosure of interests in other entities'
 - IFRS 13 'Fair Value Measurement'

The Company is not expected to have any impact from the implementation of the above adoption of IFRS.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are set forth below and have been applied consistently to all years presented. At present the Company has no item to be reported in the other comprehensive income, hence, no such statement is presented. Accordingly the loss for the year is equal to total comprehensive income for the year.

4.1 Investments

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using effective interest method less impairment losses, if any. Loans and receivables comprise cash and cash equivalents and other receivables.

Impairment

Financial asset measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held to maturity investment securities) at each reporting date.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held to maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

4.2 Trade debts and other receivables

These are initially stated at fair value and subsequently measured at amortized cost using the effective interest rate method less provisions for any uncollectible amounts. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

4.3 Trade and other payables

Trade and other amounts payable are recognized initially at fair value and subsequently carried at amortized cost.

4.4 Revenue recognition

Dividend income is recognized when the right to receive the same is established i.e. the book closure date of the investee company declaring the dividend.

Gains and losses on sale of investments are accounted for when the commitment (trade date) for sale of security is made.

Brokerage, consultancy and advisory fee, commission etc. are recognized as and when such services are provided.

Interest income and profit on bank deposit is recognized on an accrual basis using the effective interest method.

Miscellaneous income is recognized on receipt basis.

4.5 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of cash flow statement.

4.6 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss account over the period of the borrowings on an effective interest method.

4.7 Taxation

Current

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

Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

4.8 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.9 Offsetting of financial assets and financial liabilities

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

4.10 Proposed dividend and transfer between reserves

Dividend distributions to the Company's shareholders are recognized as a liability in the period in which dividends are approved. Transfer between reserves made subsequent to the balance sheet date is considered as a non-adjusting event and is recognized in the financial statements in the period in which such transfers are made.

ARIF HABIB 1857 (PVT) LTD.**NOTES TO THE ACCOUNTS**

For the Period from 7th July 2014 to 31st December 2014

5 INTANGIBLE ASSETS

Trading Rights Entitlement Certificate of Karachi Stock Exchange	9,500,000
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6 TRADE RECEIVABLES

Against investments in listed public companies	40,000,000
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7 CASH AND BANK BALANCES

Cash in hand	-
Cash at bank - in current account	225,475
	<u>225,475</u>

8 TRADE & OTHER PAYABLES

Due to Holding Company - Arif Habib Ltd.	0
Audit fee	30,000
	<u>30,000</u>

9 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at the balance sheet date.

10 PREOPERATING EXPENSES

Registration and filing fees	358,075
Audit fee	30,000
Legal and professional charges	290,025
Bank charges	500
	<u>678,600</u>

11. FINANCIAL RISK MANAGEMENT

11.1 Financial risk factors

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.

(a) Credit risk

Credit risk is the risk of financial loss if a customer or counter party to a financial instrument fails to meet its contractual obligation and arises principally from cash at bank.

Exposure to credit risk

The carrying amount of cash at bank as disclosed in the note 5 represents maximum credit exposure to the Company. The Company places its surplus fund with bank having AA- to AA+ based on the rating assigned by reputable rating agencies. At reporting date the surplus fund has been held with having short term and long term ratings of A-3 respectively as assigned by PACRA.

(b) Liquidity risk

Liquidity risk is the risk that the company will encountered difficulty in meeting obligations arising from the financial liabilities that are settled by delivering cash or another financial asset or that such obligation will have to be settled in a manner disadvantageous to the Company.

The Company manages liquidity risk by maintaining sufficient liquidity to meet its obligations. At reporting date the Company has trade and other payable which has no stated maturity. However, the Company expects it to be settled within two to three months of its recognition.

(a) Market risk

Market risk is the risk that changes in market price, such as currency risk, interest rate risk and equity price risks that will affect Company's income or value of its holdings of financial instruments.

(i) *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

(ii) *Interest rate risk*

Interest rate risk arises from the possibility that changes in prevailing level of interest rate will affect future cash flows or the fair value of financial instruments. At reporting date the financial assets and financial liabilities of the Company is not exposed to interest rate risk.

(iii) *Equity price risk*

At reporting date the Company's investment in equity securities expose the Company to equity price risk. At reporting date the company do not expose to equity market risk.

11.2 Fair values of financial assets and liabilities

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Company uses the following fair value hierarchy to classify financial instruments measured at fair value:

Level 1: quoted (unadjusted) prices in active market for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

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

No investment is made by the company and hence not applicable.

12. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

No remuneration was paid to Chief Executive or any Director during the year.

13. TRANSACTIONS WITH RELATED PARTIES

Related parties include holding company, directors of the company, companies where directors also hold directorship, related group companies and key management personnel. There are no transaction with key management personnel.

Transaction with related parties are as follows:

2014

Holding Company

Subscription of shares

50,000,000

14. DATE OF AUTHORIZATION

These financial statements were approved and authorized for issue on _____ by the Board of Directors of the Company.

15 GENERAL

15.1 Figures have been rounded off to the nearest rupee.

15.2 These are first financial statements since the incorporation of the company and hence there are no comparatives. These financial statements reflects transactions from date of incorporation i.e. 7th July 2014 to 31st December 2014

CHIEF EXECUTIVE

DIRECTOR