# KISSAN SUPPORT SERVICES (PRIVATE) LIMITED

## AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012


**ILYAS SAEED & CO.**
CHARTERED ACCOUNTANTS

mgi
BUSINESS SOLUTIONS
WORLDWIDE

OFFICE # 26, 2ND FLOOR, ROSE PLAZA, I – 8 MARKAZ, ISLAMABAD
PH : (+92) 051 – 4102626 & 051 – 4102627, FAX : (+92) 051 – 4102628

# ILYAS SAEED & CO.

**CHARTERED ACCOUNTANTS**

OFFICE # 26, 2ND FLOOR, ROSE PLAZA, I – 8 MARKAZ, ISLAMABAD. PH: 051-4102626-27


## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of M/s KISSAN SUPPORT SERVICES (PRIVATE) LIMITED ("hereinafter referred to as "the Company") as at December 31, 2012 and the related profit and loss account, cash flow statement and statement of changes in equity together with notes forming part thereof (hereinafter referred to as the financial statements) for the year then ended and we state that we have obtained all the information and explanation which, to the best of our knowledge and belief, were necessary for the purpose 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 financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial 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 financial statements have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
   (ii) the expenditure incurred during the year was for the purpose of 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 explanation given to us, the financial statements 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 affair as at December 31, 2012 and of the profit, its' cash flows and its' 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).

Ilyas Saeed & Co.

**ISLAMABAD:** 21/03/2013

**CHARTERED ACCOUNTANTS**
Engagement Partner: IMRAN ILYAS, FCA


Head Office: A – 4, Sea Breeze Homes, Shershah Block, (Barkat Market), New Garden Town, Lahore.
Phones : 042 – 5861852, 5868849 Fax : 92 –42 –5856145 Email : iilyas@hotmail.com

KISSAN SUPPORT SERVICES (PRIVATE) LIMITED

BALANCE SHEET

AS AT DECEMBER 31, 2012

| | Note | December 31, 2012 Rupees | December 31, 2011 Rupees |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 5 | 1,943,964 | 2,192,736 |
| Deferred tax asset | 6 | 25,433,430 | 19,468,684 |
| | | 27,377,394 | 21,661,420 |
| **CURRENT ASSETS** | | | |
| Receivable from ZTBL ("the holding Company") | 7 | 11,793,673 | 9,835,729 |
| Trade receivable- considered good | | 3,595,412 | 11,666,109 |
| Short term advances | 8 | 9,496,549 | 9,734,784 |
| Short term deposits and prepayments | | 265,982 | 31,842 |
| Short term investment | 9 | 200,394,273 | 103,764,693 |
| Accrued interest | 10 | 5,291,492 | 13,636,680 |
| Other receivables | 11 | 3,290,002 | 4,506,410 |
| Advance Tax | 12 | 15,240,934 | - |
| Cash and bank balances | 13 | 36,957,289 | 98,798,034 |
| | | 286,325,606 | 251,974,281 |
| | | 313,703,000 | 273,635,701 |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorized share capital | | | |
| 10,000,000 ordinary shares of Rs. 10 each | 14 | 100,000,000 | 100,000,000 |
| Issued, subscribed and paid-up capital | | 100,000,000 | 100,000,000 |
| Unappropriated profit | | 130,250,721 | 101,438,879 |
| | | 230,250,721 | 201,438,879 |
| **NON CURRENT LIABILITIES** | | | |
| Deferred liabilities | 15 | 46,711,463 | 37,937,044 |
| | | 46,711,463 | 37,937,044 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 16 | 36,740,816 | 27,269,694 |
| Income tax payable | 17 | - | 6,990,084 |
| | | 36,740,816 | 34,259,778 |
| **CONTINGENCIES AND COMMITMENTS** | 18 | - | - |
| | | 313,703,000 | 273,635,701 |

The annexed notes from 1 to 29 form an integral part of these financial statements.

**CHIEF EXECUTIVE**

**CHAIRMAN**

# KISSAN SUPPORT SERVICES (PRIVATE) LIMITED
# PROFIT AND LOSS ACCOUNT
# FOR THE YEAR ENDED DECEMBER 31, 2012

| | Note | December 31, 2012 Rupees | December 31, 2011 Rupees |
|---|---|---|---|
| Revenue | 19 | 523,299,646 | 426,061,213 |
| Cost of services | 20 | (459,275,674) | (363,389,900) |
| Gross profit | | 64,023,972 | 62,671,313 |
| Administrative expenses | 21 | (42,647,747) | (40,297,324) |
| Operating profit | | 21,376,225 | 22,373,988 |
| Other income | 22 | 22,764,055 | 21,475,602 |
| Profit before taxation | | 44,140,280 | 43,849,590 |
| Provision for taxation | 23 | (15,328,439) | (17,726,890) |
| **Profit after taxation** | | 28,811,841 | 26,122,700 |
| **Earning per share - Basic and diluted** | 24 | 2.88 | 2.61 |

The annexed notes from 1 to 29 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHAIRMAN

**KISSAN SUPPORT SERVICES (PRIVATE) LIMITED**
**CASH FLOW STATEMENT**
**FOR THE YEAR ENDED DECEMBER 31, 2012**

| | Note | December 31, 2012 Rupees | December 31, 2011 Rupees |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation | | **44,140,280** | 43,849,590 |
| Adjustments for non cash items: | | | |
| Depreciation | | **794,602** | 815,779 |
| Provision for gratuity | | **9,015,363** | 9,381,657 |
| Interest income | | **(22,764,055)** | (21,475,602) |
| | | **(12,954,090)** | (11,278,166) |
| Operating profit before working capital changes | | **31,186,190** | 32,571,424 |
| **Working capital changes** | | | |
| **(Increase) / decrease in current assets** | | | |
| Receivable from holding company | | **(1,957,944)** | 1,671,690 |
| Trade receivable | | **8,070,697** | (7,332,034) |
| Short term advances | | **238,235** | (9,734,784) |
| Short term deposits and prepayments | | **(234,140)** | 3,800 |
| Other receivables | | **1,216,408** | (1,798,107) |
| | | **7,333,256** | (17,189,435) |
| **Increase / (decrease) in current liabilities** | | | |
| Trade and other payables | | **9,471,122** | 5,657,557 |
| **Cash generated from operations** | | **47,990,568** | 21,039,546 |
| Interest income received | | **31,109,243** | 12,862,310 |
| Gratuity paid | | **(240,944)** | (42,600) |
| Income tax paid | | **(43,524,202)** | (23,899,108) |
| | | **(12,655,903)** | (11,079,398) |
| **Net cash generated from operating activities** | | **35,334,665** | 9,960,148 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | **(545,830)** | (800,015) |
| **Net cash used in investing activities** | | **(545,830)** | (800,015) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| NIL | | **-** | - |
| **Net cash generated from financing activities** | | **-** | - |
| **Net increase in cash and cash equivalents** | | **34,788,835** | 9,160,133 |
| **Cash and cash equivalents at the beginning of the year** | | **202,562,727** | 193,402,593 |
| **Cash and cash equivalents at the end of the year** | 25 | **237,351,562** | 202,562,727 |

The annexed notes from 1 to 29 form an integral part of these financial statements.

**CHIEF EXECUTIVE** **CHAIRMAN**

# KISSAN SUPPORT SERVICES (PRIVATE) LIMITED
## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED DECEMBER 31, 2012

| | Issued, subscribed and paid-up capital | Unappropriated profit | Total equity |
|---|---|---|---|
| | Rupees | | |
| Opening balance as at January 01, 2011 | 100,000,000 | 75,316,180 | 175,316,180 |
| Profit for the year ended December 31, 2011 | - | 26,122,700 | 26,122,700 |
| Balance as at December 31, 2011 | 100,000,000 | 101,438,879 | 201,438,879 |
| Profit for the year ended December 31, 2012 | - | 28,811,841 | 28,811,841 |
| **Balance as at December 31, 2012** | **100,000,000** | **130,250,721** | **230,250,721** |

The annexed notes from 1 to 29 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHAIRMAN

## 1 COMPANY AND ITS OPERATIONS

Kissan Support Services (Private) Limited ("the Company") was incorporated in Pakistan as a private limited company on September 19, 2005 under the Companies Ordinance, 1984. It is a subsidiary of Zarai Taraqiati Bank Limited (ZTBL) which holds 100% shares. The registered office of the Company is situated at Zarai Taraqiati Bank Limited, I-Faisal Avenue, Zero Point, Head Office, Islamabad. The Company's principal business is the provision of consultancy, advisory, agency and other support services on contractual basis or otherwise to ZTBL.

## 2 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial Reporting Standards for Medium Sized Entities (MSEs) issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

## 3 ACCOUNTING CONVENTION AND BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention.

## 4 SIGNIFICANT ACCOUNTING POLICIES

### 4.1 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except as otherwise stated in the respective policies and notes given here under.

The preparation of financial statements is in conformity with the Accounting and Financial Reporting Standards for Medium-Sized Entities issued by the Institute of Chartered Accountants of Pakistan require 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 and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results 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 recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and provision for employee benefits. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

### 4.2 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 5. Depreciation is charged on reducing balance method except for vehicles and computer equipment which are depreciated on straight line method. Full month depreciation is charged in which asset is purchased and no depreciation is charged in the month of disposal.

Maintenance and normal repairs are charged to profit and loss account as and when incurred.

Major renewals and improvements are capitalized. Gains and losses, if any on disposal of assets are included in profit and loss during the year.

## 1 COMPANY AND ITS OPERATIONS

Kissan Support Services (Private) Limited ("the Company") was incorporated in Pakistan as a private limited company on September 19, 2005 under the Companies Ordinance, 1984. It is a subsidiary of Zarai Taraqiati Bank Limited (ZTBL) which holds 100% shares. The registered office of the Company is situated at Zarai Taraqiati Bank Limited, I-Faisal Avenue, Zero Point, Head Office, Islamabad. The Company's principal business is the provision of consultancy, advisory, agency and other support services on contractual basis or otherwise to ZTBL.

## 2 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial Reporting Standards for Medium Sized Entities (MSEs) issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

## 3 ACCOUNTING CONVENTION AND BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention.

## 4 SIGNIFICANT ACCOUNTING POLICIES

### 4.1 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except as otherwise stated in the respective policies and notes given here under.

The preparation of financial statements is in conformity with the Accounting and Financial Reporting Standards for Medium-Sized Entities issued by the Institute of Chartered Accountants of Pakistan require 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 and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results 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 recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and provision for employee benefits. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

### 4.2 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 5. Depreciation is charged on reducing balance method except for vehicles and computer equipment which are depreciated on straight line method. Full month depreciation is charged in which asset is purchased and no depreciation is charged in the month of disposal.

Maintenance and normal repairs are charged to profit and loss account as and when incurred.

Major renewals and improvements are capitalized. Gains and losses, if any on disposal of assets are included in profit and loss during the year.

### 4.3 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. If such indications exist, the assets recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that is largely independent from other assets and group.

The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

### 4.4 Trade debts

Trade debts are carried at the amounts billed/charged, less an estimate made for doubtful debts based on review of outstanding amounts at the year end, if any.

### 4.5 Other receivables

Other receivables are recognized at nominal amount which is fair value of the consideration to be received in future

### 4.6 Investments

**Held to maturity**

These are the investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold them till maturity and measured at cost, less any impairment loss recognised to reflect irrecoverable amounts.

### 4.7 Available for sale

These are recognized at fair value. Gain or loss from changes in fair values are taken to equity until disposal at which time these are recycled to income statement.

### 4.8 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash at bank and short term highly liquid investments.

### 4.9 Employee Benefits

**Unfunded medical benefits**

The Company operates an unfunded medical benefit fund for its employees. Employees are entitled for free medical facility during their service. This unfunded amount is utilized against the reimbursement of employee's actual medical expenses. The benifits are charged to profit and loss account at the rate of Rs 400/- per employee per month.

**Staff retirement benefits**

The Company operates an un-funded gratuity scheme for its permanent employees whose period of service is one year or more. Employees are entitled to gratuity on the basis set out in staff regulation. The most recent actuarial valuation is carried out at December 31, 2012 using the projected unit credit method (refer note 15). Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of previous reporting period exceed 10% of the higher of present value of defined benefit obligation and the fair value of plan assets at that date. The gains or losses in excess of amount determined as per above said criteria are recognized over the expected average remaining working lives of the employees participating in the plan.

### 4.10 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 the future for goods and services received, whether or not billed to the Company.

### 4.11 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

### 4.12 Taxation

**Current**

Provision for taxation, if any, is made on net taxable income at current prevailing rates as per the Income Tax Ordinance, 2001.

**Deferred**

Deferred tax is computed using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

### 4.13 Borrowing cost

Borrowing cost on long term finances which are specifically obtained for the acquisition of qualifying assets are capitalized. All other borrowing costs are charged to profit and loss account in the period in which these are incurred.

### 4.14 Related party transactions

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.

### 4.15 Revenue recognition

Revenue from services is recognised as and when services are rendered.
Interest income is recognised on accrual basis.
Commision income is recognised when services are rendered.

### 4.16 Financial instruments

All the financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of these instruments. The Company de-recognises the financial assets and financial liabilities when it ceases to be a party to such contractual provision.

### 4.17 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation

### 4.18 Off setting of financial assets and liabilities

A financial asset and a financial liability are offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## 5 PROPERTY, PLANT AND EQUIPMENT

| | Owned | | | | | |
|---|---|---|---|---|---|---|
| | Furniture and fixtures | Electrical installation | Motor vehicles | Office equipment | Computers | Total |
| *Cost* | | | | | | |
| **Balance at Jan 1, 2011** | 342,946 | 366,785 | 3,890,560 | 228,584 | 601,571 | 5,430,446 |
| Additions | 240,183 | 202,728 | - | 62,105 | 295,000 | 800,015 |
| Disposals | - | - | - | - | - | - |
| **Balance at Dec 31, 2011** | 583,129 | 569,513 | 3,890,560 | 290,689 | 896,571 | 6,230,461 |
| Additions | - | 29,000 | 134,000 | 56,950 | 325,880 | 545,830 |
| Disposals | - | - | - | - | - | - |
| **Balance at Dec 31, 2012** | **583,129** | **598,513** | **4,024,560** | **347,639** | **1,222,451** | **6,776,291** |
| *Accumulated depreciation* | | | | | | |
| **Balance at Jan 1, 2011** | 44,076 | 162,097 | 2,377,166 | 79,056 | 559,551 | 3,221,946 |
| Depreciation for the year | 42,779 | 68,101 | 547,111 | 39,660 | 118,128 | 815,779 |
| Depreciation on disposals | - | - | | - | - | - |
| **Balance at Dec 31, 2011** | 86,855 | 230,198 | 2,924,277 | 118,716 | 677,679 | 4,037,725 |
| Depreciation for the year | 49,628 | 71,005 | 438,345 | 40,989 | 194,635 | 794,602 |
| Depreciation on disposals | - | - | - | - | - | - |
| **Balance at Dec 31, 2012** | **136,483** | **301,203** | **3,362,622** | **159,705** | **872,314** | **4,832,327** |
| *Carrying amount* | | | | | | |
| **As at Dec 31, 2012** | **446,646** | **297,310** | **661,938** | **187,934** | **350,137** | **1,943,964** |
| As at Dec 31, 2011 | 496,274 | 339,315 | 966,283 | 171,973 | 218,892 | 2,192,736 |
| Depreciation rates per annum | 10% | 20% | 20% | 20% | 33% | |

**5.1** Depreciation for the year has been allocated to administrative expenses.

| 6 DEFERRED TAX ASSET | Note | December 31, 2012 Rupees | December 31, 2011 Rupees |
|---|---|---|---|
| Deferred tax asset | 6.1 | 25,433,430 | 19,468,684 |
| **Deferred debit/(credit) arising due to:** | | | |
| Accelerated depreciation | | (281,285) | (265,294) |
| Provision for gratuity | | 16,349,012 | 13,277,965 |
| Provision for medical facilities | | 9,365,703 | 6,456,013 |
| | | 25,433,430 | 19,468,684 |

6.1 Deferred tax asset arising on temporary differences has been recognized in the financial statements during the period as the management foresee that sufficient future profits will be available with the Company to utilize and reverse the effect of deferred tax asset.

| 7 RECEIVABLE FROM ZTBL ("THE HOLDING COMPANY") | Note | December 31, 2012 Rupees | December 31, 2011 Rupees |
|---|---|---|---|
| Unsecured-Considered good | | | |
| Zarai Taraqiati Bank Limited (ZTBL) | 7.1 | 11,793,673 | 9,835,729 |

7.1 This represents net receivable against services rendered / obtained from ZTBL.

| 8 SHORT TERM ADVANCES | | | |
|---|---|---|---|
| Advances to: | | | |
| Employees | 8.1 | 2,860,060 | 2,243,875 |
| Suppliers | | 6,636,489 | 7,490,909 |
| | | 9,496,549 | 9,734,784 |
| 8.1 - for expenses employees | | 2,860,060 | 2,243,875 |

| 9 SHORT TERM INVESTMENT | | | |
|---|---|---|---|
| **Available for sale investments** | | | |
| **Mutual Funds** | | | |
| NAFA | 9.1 | 20,000,000 | - |
| Askari Fund Management | 9.2 | 10,000,000 | - |
| | | 30,000,000 | - |
| **Held- to- maturity investments** | | | |
| **Term Deposit Receipts (TDR)** | | | |
| Bank of Punjab | 9.3 | 105,394,273 | - |
| Silk Bank | 9.4 | 40,000,000 | - |
| Investment with Bank of Khyber | 9.5 | 25,000,000 | - |
| National Bank of Pakistan | | - | 103,764,693 |
| | | 170,394,273 | 103,764,693 |
| | | 200,394,273 | 103,764,693 |

9.1 This investment has been made on December 31, 2012 in NAFA Money Market Fund consisting of 1,993,262.7718 units at the rate of Rs.10.0338 per unit. The market price remained unchanged as at December 31, 2012.

9.2 This investment has been made on December 31, 2012 in Askari Sovereign Cash Fund consisting of 99,414.8442 units at the rate of Rs.100.5886 per unit. The market price remained unchanged as at December 31, 2012.

9.3 This investment has been made for 6 months maturing on April 27, 2013 and carries interest rate of 10.20% p.a.

9.4 This investment has been made for 6 months maturing on March 04, 2013 and carries interest rate of 9.90% p.a.

9.5 This investment has been made for 6 months maturing on January 25, 2013 and carries interest rate of 10.00% p.a..

| 10 ACCRUED INTEREST | Note | December 31, 2012 Rupees | December 31, 2011 Rupees |
|---|---|---|---|
| Term deposit receipt | | 3,690,586 | 9,633,059 |
| Deposit bank accounts | | 1,600,906 | 4,003,621 |
| | | 5,291,492 | 13,636,680 |

| 11 OTHER RECEIVABLES | | | |
|---|---|---|---|
| Institute of Business Education (IBE) | 18.1 | 2,647,137 | 2,647,137 |
| Commission receivable | | 554,201 | 1,423,550 |
| Other | | 88,664 | 435,723 |
| | | 3,290,002 | 4,506,410 |

| 12 ADVANCE TAX | | | |
|---|---|---|---|
| Advance income tax deducted | | 31,342,167 | - |
| Tax paid on the basis of return | | 7,086,348 | - |
| Payment of tax under section 122 (5A) | 18.2 | 5,095,687 | - |
| Adjusted against provision for taxation | | | |
| Prior year | | 7,086,348 | - |
| Current year | | 21,196,920 | - |
| Net tax adjusted | | 28,283,268 | - |
| | | 15,240,934 | - |

| 13 CASH AND BANK BALANCES | | | |
|---|---|---|---|
| **Cash at Bank** | | | |
| Current account | | 1,042,327 | 478,178 |
| Saving accounts | 13.1 | 35,914,962 | 98,319,855 |
| | | 36,957,289 | 98,798,034 |

13.1 Saving accounts carry mark up rate ranging from 5% to 10% (2011: 5% to 12%) and this balance in saving accounts include funds kept in ZTBL amounting to Rs. 30.06 Million (2011: Rs. 76.7 Million).

| 14 ISSUED, SUBSCRIBED AND PAID UP CAPITAL | Note | December 31, 2012 Rupees | December 31, 2011 Rupees |
|---|---|---|---|
| **Authorized share capital** | | | |
| Authorized share capital consists of 10 millions (2011: 10 millions) ordinary shares of Rs. 10 each. | | 100,000,000 | 100,000,000 |
| **Issued, subscribed and paid up capital** | | | |
| 10 million (2011: 10 million) ordinary shares of Rs. 10 each issued fully paid in cash | | 100,000,000 | 100,000,000 |

| 15 DEFERRED LIABILITIES | | | |
|---|---|---|---|
| **15.1 Reconciliation of liabilities recognized in the balance sheet** | | | |
| Present value of defined benefit obligation | | 54,919,470 | 42,651,542 |
| Net unrecognized actuarial gain/(loss) | | (8,208,007) | (4,714,497) |
| | | 46,711,463 | 37,937,044 |
| **15.2 Movement in the liability recognized in the balance sheet** | | | |
| Opening balance | | 37,937,044 | 28,597,987 |
| Charge for the year | 15.3 | 9,015,363 | 9,381,657 |
| Benefits paid | | (240,944) | (42,600) |
| | | 46,711,463 | 37,937,044 |

| | Note | December 31, 2012 Rupees | December 31, 2011 Rupees |
|---|---|---|---|
| **15.3 Charge for the year** | | | |
| Current service charges | | 6,362,743 | 6,667,450 |
| Interest cost for the year | | 2,602,693 | 2,714,207 |
| Net actuarial (gain) recognized | | 49,927 | - |
| | | 9,015,363 | 9,381,657 |

**15.4 Principal actuarial assumptions**

Following are a few important actuarial assumptions used in the valuation:

| | | |
|---|---|---|
| Discount rate (%) | 11.5 | 12.5 |
| Expected rate of increase in salary (%) | 10.5 | 11.5 |
| Average expected remaining working life time of employees (years) | 9.0 | 10.0 |

**15.5 General description**

The scheme provides for terminal benefits for all its permanent employees whose period of service is one year. Employees are entitled to gratuity on the basis set out in Company's staff regulation. Actuarial valuation of these plans was carried out as at December 31, 2012 using Projected Unit Credit Method.

| 16 TRADE AND OTHER PAYABLES | Note | December 31, 2012 Rupees | December 31, 2011 Rupees |
|---|---|---|---|
| Trade creditors | | 8,690,169 | 8,440,825 |
| Security deposit | | 394,000 | 326,051 |
| Medical fund | 16.1 | 26,759,150 | 18,445,752 |
| Tax payable | | 897,497 | 57,066 |
| | | 36,740,816 | 27,269,694 |

**16.1** This represents amount set aside for employees medical facility. This unfunded amount is utilized against the reimbursement of employee's actual medical expenses. Contribution to this liability is made at the rate of Rs.400 per employee per month on time proportionate basis.

| 17 INCOME TAX PAYABLE | Note | December 31, 2012 Rupees | December 31, 2011 Rupees |
|---|---|---|---|
| Opening | | 6,990,084 | 6,736,166 |
| Add: Provision for current tax | | | |
| Current year | | 21,196,920 | 20,753,487 |
| Prior year | | 96,264 | 3,399,540 |
| | | 21,293,184 | 24,153,027 |
| | | 28,283,268 | 30,889,193 |
| Less: Paid / adjusted during the year | | (28,283,268) | (23,899,109) |
| | | - | 6,990,084 |

**18 CONTINGENCIES AND COMMITMENTS**

**18.1 Contingencies**

The Company had let out a property to the Institute of Business Education (IBE) on the March 27, 2008. Subsequently, the Company served vacation notice dated January 26, 2009 on IBE. IBE failed to vacate the property within notice period. The company filed a petition with Civil Judge, Islamabad for the vacation of the property. This petition was decided in the favor of the Company. Subsequently, the Company filed another petition for the recovery of rent arrears for the period beyond the notice period of Rs.2,668,750 along with markup @ 2% plus prevailing bank profit rate and cost of suit with the Civil Judge, Islamabad. The case is pending before the court for decision, however, based on legal advisor opinion, the management of the Company is confident of favorable outcome, hence no provision against rent receivable has been provided in these financial statements. IBE paid an amount of Rs.657,790 out of the total claim and deducted tax including surcharge amounting to Rs. 45,250. However, the Company returned the cheque received as the amount claimed is higher than the payment made. However, the Company took the credit of tax withheld and deposited in the Government treasury by IBE. This reduced the receivable balance to Rs. 2,647,137.

18.2 The Officer Inland Revenue, Large Taxpayers Unit, Islamabad amended the assessment of the Company under section 122(5A) for the financial year ended December 31, 2009 i.e. Tax Year 2010 and created a demand of Rs. 5.095 million. Being aggreived, the Company filed an appeall before the Commissioner Inland Revenue (Appeals). The Commissioner passed an Order against the Company and maintained the assessment framed by the Officer Inland Revenue. The tax amount of Rs. 5.095 million has been deposited with the Tax Authorities and at the same time the Company preferred an appeal before the Appeallete Tribunal Inland Revenue, Islamabad under section 131 of the Income Tax Ordinance, 2001. No provision has been made in these accounts as the management is confident that the decision of the case will be announced in the favour of the Company.

| 19 REVENUE | Note | December 31, 2012 Rupees | December 31, 2011 Rupees |
|---|---|---|---|
| Human resource services | | 353,526,758 | 306,033,181 |
| Photo copying | | 1,380,230 | 1,239,664 |
| Janitorial services | | 2,997,695 | 3,129,839 |
| Sports activity | | 52,657,881 | 43,591,618 |
| Courier services | | 11,179,503 | 9,353,727 |
| Repair and maintenance | | 1,946,244 | 2,036,439 |
| Security services | | 2,238,698 | 1,483,440 |
| Medical services | | 95,861,999 | 56,175,697 |
| Rent from grounds | | 169,500 | 170,993 |
| Rental income | | 1,069,931 | 802,800 |
| Commission income | | 258,207 | 1,946,331 |
| Miscellaneous income | | 13,000 | 97,484 |
| | | 523,299,646 | 426,061,213 |

| 20 COST OF SERVICES | | | |
|---|---|---|---|
| Human resource services | 20.1 | 292,727,146 | 241,209,924 |
| Photocopies | | 1,254,755 | 1,126,967 |
| Janitorial expenses | | 2,725,177 | 2,845,308 |
| Sport expenses | | 52,657,881 | 43,591,618 |
| Postage, telephone and telegram | | 10,163,185 | 8,503,388 |
| Repair and maintenance - building | | 1,769,313 | 1,851,308 |
| Security expenses | | 2,035,180 | 1,348,582 |
| Medical expenses | | 87,147,272 | 51,068,815 |
| Expenses on hostel | | 482,367 | 3,650,573 |
| Recruitment expenses | | - | 10,000 |
| Medical contribution | 16.1 | 8,313,398 | 8,177,167 |
| Expenses on fertilizer | | - | 6,250 |
| | | 459,275,674 | 363,389,900 |

20.1 Salaries, wages and other benefits include Rs. 9.015 million (2011: 9.381 million) in respect of staff retirement

| 21 ADMINISTRATIVE EXPENSES | | | |
|---|---|---|---|
| Salaries, wages and other benefits | 21.1 | 15,006,257 | 18,854,059 |
| Repair and maintenance - vehicle | | 45,925 | 52,421 |
| Travelling and conveyance | | 1,072,475 | 1,234,158 |
| Rent, rates and taxes | | 1,807,206 | 1,593,288 |
| Postage, telephone and telegram | | 329,677 | 301,979 |
| Printing, stationery and advertisement material | | 423,219 | 569,071 |
| Accounting service charges | | 19,440,333 | 14,369,676 |
| Fee and subscription | | 1,120,539 | 734,484 |
| Insurance | | 1,258,728 | 1,144,661 |
| Legal and professional charges | | 977,400 | 381,946 |
| Auditors remuneration | 21.2 | 278,900 | 110,000 |
| Fuel expenses | | 25,044 | 3,470 |
| Entertainment expenses | | 29,819 | 59,238 |
| Depreciation | 5.1 | 794,602 | 815,779 |
| Miscellaneous expenses | | 25,000 | 17,640 |
| Expenses on FM radio station | | 10,000 | 55,070 |
| Finance Cost | | 2,623 | 384 |
| | | 42,647,747 | 40,297,324 |

21.1 Salaries, wages and benefits include Rs. 0.092 million (2011: 0.389 million) in respect of staff retirement benefits.

| 21.2 Auditors remuneration | Note | December 31, 2012 Rupees | December 31, 2011 Rupees |
|---|---|---|---|
| Annual audit fee | | 80,000 | 80,000 |
| Half yearly and quarterly review | | 55,000 | 30,000 |
| Other services | | 143,900 | - |
| | | 278,900 | 110,000 |

## 22 OTHER INCOME

| | | |
|---|---|---|
| Interest income from investment | 15,504,674 | 14,834,852 |
| Interest on bank deposits | 7,259,381 | 6,640,750 |
| | 22,764,055 | 21,475,602 |

## 23 PROVISION FOR TAXATION

| | | |
|---|---|---|
| Current year | 21,196,920 | 20,753,487 |
| Prior year | 96,264 | 3,399,540 |
| Deferred Tax | (5,964,746) | (6,426,137) |
| | 15,328,439 | 17,726,890 |

## 24 EARNINGS PER SHARE - Basic and diluted

| | | |
|---|---|---|
| Profit after taxation | 28,811,841 | 26,122,700 |
| Number of ordinary shares | 10,000,000 | 10,000,000 |
| Earnings per share (Rupees) | 2.88 | 2.61 |

No figure for diluted earning per share has been presented as the Compnay has not issued any instruments carrying option which would have an impact on earnings per share when exercised.

| 25 CASH AND CASH EQUIVALENTS | December 31, 2012 Rupees | December 31, 2011 Rupees |
|---|---|---|
| Cash at bank | 36,957,289 | 98,798,034 |
| Short term investment | 200,394,273 | 103,764,693 |
| | 237,351,562 | 202,562,727 |

## 26 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise group companies, other associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties are as under:

| Relation with the Company | December 31, 2012 Rupees | December 31, 2011 Rupees |
|---|---|---|
| ZTBL ("the holding Company") | | |
| **Nature of transaction** | | |
| Income from ZTBL | 521,789,008 | 423,043,605 |
| Receivable from ZTBL | 11,793,673 | 9,835,729 |
| Rent, Accounting and Communication Charges paid | 27,432,251 | 24,131,586 |
| Bank accounts maintained | | |
| Current Account | 1,042,327 | 478,178 |
| Saving Account | 30,060,498 | 76,716,513 |
| Key management personnel | | |
| Remuneration and other benefits | 2,012,400 | 1,560,400 |

There are no transactions with key management personnel other than under their terms of employment.

14/17

## 27 FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors have overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### 27.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its operating and financing activities including deposits with bank. The Company's credit risk exposure are categorised under the following headings:

### 27.1.1 Counterparties

The Company conducts transactions with the following major types of counterparties:

***Banks***

The Company limits its exposure to credit risk by maintaining bank accounts only with counterparties that have a credit rating of at least A1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet its

### 27.1.2 Exposure to credit risk

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

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| | Rupees | Rupees |
| Short term investment | 200,394,273 | 103,764,693 |
| Other receivables | 3,290,002 | 4,506,410 |
| Bank balances | 36,957,289 | 98,798,034 |
| | 240,641,564 | 207,069,136 |

After giving due consideration to their strong financial standing the Company believes that no impairment allowance is necessary in respect of deposits, receivable from the Government of Pakistan and other receivables as the Company is satisfied that recovery of the amount owing is possible. Accordingly the credit risk is minimal.

### 27.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments.

The maturity profile of the Company's financial liabilities based on the contractual amounts are as follows:

| | Carrying Amount | Less than one | Later than one |
|---|---|---|---|
| 31 December, 2011 | | | |
| Trade and other payables | 27,269,694 | 8,823,942 | 18,445,752 |
| | 27,269,694 | 8,823,942 | 18,445,752 |

| | Carrying Amount | Less than one | Later than one |
|---|---|---|---|
| 31 December, 2012 | | | |
| Other payables | 36,740,816 | 9,981,666 | 26,759,150 |
| | 36,740,816 | 9,981,666 | 26,759,150 |

### 27.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Company's exposure to market risk is explained as follows:

#### 27.3.1 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. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is not exposed to currency risk as all of its transactions are in local currency and no foreign currency receivables and payables exists at the balance sheet date.

#### 27.3.2 Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to other price risk.

#### 27.3.3 Markup rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market markup rates.

The Company is not exposed to markup rate risk

**Profile**

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| | Rupees | Rupees |
| **Financial assets** | | |
| Bank balance | 36,957,289 | 98,798,034 |
| **Financial liabilities** | - | - |
| **Mark up rate sensitivity analysis** | - | - |

Sensitivity to markup rate risk arises from mismatches of financial assets and liabilities that mature in a given period. If interest rates at the year end date, fluctuates by 1% higher/ lower with all other variables held constant, mark up expense for the year would have been Rs. NIL higher/ lower, mainly as a result of higher/ lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liability outstanding at balance sheet date was outstanding for the whole

#### 27.3.4 Fair values of financial instruments

Fair value is the amount for which as asset could be exchanged or a liability settled between knowledgeable willing parties is an arms length transactions. The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each balance sheet date.

The fair value hierarchy has not been presented in these financial statements, as the Company does not hold any such financial instruments in their portfolio.

### 27.4 Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern. Further, the Company is not subject to any externally imposed capital requirements.

## 28 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on MARCH 21, 2013.

## 29 GENERAL

Figures in the financial statements have been rounded off to the nearest rupee, unless otherwise stated.

CHIEF EXECUTIVE

CHAIRMAN