

# Notes to the Financial Statements

## for the period from October 12, 2007 to December 31, 2007

### 1. LEGAL STATUS AND OPERATION

- 1.1 ABL Asset Management Company Limited (the company) was incorporated in Pakistan as a limited liability company on October 12, 2007 under the Companies Ordinance, 1984. The company has obtained license on December 07, 2007 from the Securities and Exchange Commission of Pakistan (SECP) to carry out asset management services as a Non-Banking Finance Company (NBFC) under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through S.R.O.113[1] 2007 (amended NBFC Rules). The company has received certificate of commencement of business on December 31, 2007. The registered office of the company is situated at 11-B Lalazar, M.T. Khan Road, Karachi.

The company is a wholly owned subsidiary of Allied Bank Limited.

- 1.2 Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Pakistani Rupees, which is the company's functional and presentation currency.

### 2. STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984, amended NBFC Rules and the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the Regulations). Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, amended NBFC Rules, the Regulations or directives issued by the SECP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, amended NBFC Rules, the Regulations or the requirements of the said directives take precedence.

- 2.2 Interpretations to existing standards in issue not yet adopted

The Company has not applied the following interpretations to existing standards that have been issued by the International Accounting Standards Board (IASB), but are not yet effective.

	Effective for annual periods beginning on or after
IFRIC 11 IFRS 2-Group and Treasury Share	March 1, 2007
IFRIC 12 Service Concession Agreement	January 1, 2009
IFRIC 14 IAS- 19 The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	January 1, 2009

The management expects that the above interpretations to existing standards will have no significant impact on the Company's financial statements in the period of initial application.

- 2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the company's financial statements are as follows:

- i) Provision for taxation (notes 4.5 and 11)
- ii) Provision for depreciation (notes 4.1 and 5)

### 3. BASIS OF MEASUREMENT

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 4.1 Tangible fixed assets

These are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 5.1 to the financial statements. Depreciation is charged from the month of addition to the month prior to the month of disposal.

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If such indication exists the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the estimated recoverable amount, assets are written down to the recoverable amount.

Normal repairs and maintenance are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised. Gains and losses on sale or retirement of tangible fixed assets are included in income currently.

Capital work-in-progress is stated at cost accumulated to the balance sheet date. These will be transferred to specific asset as and when these assets are available for use.

##### 4.2 Staff retirement benefits - defined contribution plan

The company operates unapproved provident fund for its permanent employees. Equal monthly contributions to the fund are made both by the company and its employees @ 8.33% of the basic salary per month.

##### 4.3 Financial assets and liabilities

###### 4.3.1 Recognition and de-recognition

Financial assets and financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires.

###### 4.3.2 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and the company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### 4.4 Revenue recognition

Profit on term and PLS deposits is recognised on accrual basis.

##### 4.5 Taxation

###### Current

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

###### Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax asset is recognized for all deductible temporary differences and unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

# Notes to the Financial Statements

for the period from October 12, 2007 to December 31, 2007

Rupees	Note	December 31, 2007
<b>5. TANGIBLE FIXED ASSETS</b>		
Operating property, plant and equipment	5.1	1,656,339
Capital work-in-progress - advance for purchase of vehicle		1,563,500
		<b>3,219,839</b>

## 5.1 Operating property, plant and equipment

Rupees	Cost			Accumulated depreciation			Written down value As at December 31, 2007	Depreciation rate per annum %
	As at October 12, 2007	Addition during the period	As at December 31, 2007	As at October 12, 2007	Charge for the period	As at December 31, 2007		
Furniture and fixtures	-	100,177	100,177	-	1,406	1,406	98,771	10
Computer equipment	-	114,529	114,529	-	2,386	2,386	112,143	25
Motor Vehicle	-	1,521,500	1,521,500	-	76,075	76,075	1,445,425	20
	-	1,736,206	1,736,206	-	79,867	79,867	1,656,339	

Rupees	Note	December 31, 2007
<b>6. OTHER RECEIVABLES</b>		
- considered good		
Interest accrued on bank deposits	6.1	2,950,523

6.1 The balance is receivable from Allied Bank Limited, parent company.

## 7. CASH AND BANK BALANCES

With bank		
- PLS deposit accounts	7.1 & 7.2	54,788,551
- Term deposits receipts	7.1 & 7.2	448,000,000
		502,788,551
Cash in hand		20,793
		<b>502,809,344</b>

7.1 The rate of return on bank deposits ranges from 1% to 8% per annum.

7.2 PLS and term deposits are held with Allied Bank Limited, parent company.

## 8. SHARE CAPITAL

December 31, 2007	December 31, 2007
Authorized	
Number of shares	Rupees
50,000,000 Ordinary shares of Rs. 10 each	500,000,000
Issued, subscribed and paid-up	
50,000,000 Ordinary shares of Rs. 10 each fully paid in cash	500,000,000

8.1 Allied Bank Limited, parent company holds 50,000,000 ordinary shares of Rs. 10 each.

Rupees		December 31, 2007
<b>9. ACCRUED AND OTHER LIABILITIES</b>		
Due to Allied Bank Limited, parent company		5,739,988
Auditors' remuneration payable		100,000
Provident Fund payable		99,960
Withholding tax payable		2,700
Other payables		448,166
		<b>6,390,814</b>

Rupees	Note	For the period from October 12, 2007 to December 31, 2007
<b>10. ADMINISTRATIVE EXPENSES</b>		
Chief Executive / Director's remuneration	13	1,030,180
Rent, rates and taxes		5,295
Legal and professional charges		545,000
Registration fee		1,264,500
Processing fee		100,000
License fee		200,000
Communication		89,658
Printing and stationery		87,765
Auditors' Remuneration		100,000
Depreciation	5.1	79,867
Traveling and conveyance		39,690
Entertainment		52,693
Books and Periodicals		17,757
Meeting fee		25,000
Other		125
		<b>3,637,530</b>
<b>11. TAXATION</b>		
Current		1,018,631
Deferred		14,877
	11.1	<b>1,033,508</b>

11.1 The relationship between tax expense and accounting profit is not required as there is no difference between these figures.

Rupees	For the period from October 12, 2007 to December 31, 2007
<b>12. EARNINGS PER SHARE - BASIC AND DILUTED</b>	
There is no dilutive effect on the basic earnings per share of the company which is based on;	
Profit for the period	1,919,372
	No. of shares
Number of ordinary shares outstanding during the period	50,000,000
	Rupees
Earnings per share	0.04

# Notes to the Financial Statements

for the period from October 12, 2007 to December 31, 2007

Rupees	For the period from October 12, 2007 to December 31, 2007
<b>13. TRANSACTIONS WITH RELATED PARTIES</b>	
Allied Bank Limited - parent company	
Term deposit receipts placed during the period	896,000,000
Term deposit receipts matured during the period	448,000,000
PLS deposits deposited during the period	553,663,399
PLS deposits withdrawn during the period	498,874,848
Income from bank deposits received during the period	3,639,887
Key Management Personnel	
Chief Executive	
Remuneration	980,200
Provident fund contribution	49,980

The Chief Executive/ Director of the company is provided with free use of company owned and maintained vehicle.

13.1 The receivable and payable balances from related parties are disclosed in note 6,7 and 9.

## 14. FINANCIAL RISK MANAGEMENT POLICIES

### 14.1 Liquidity Risk

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

### 14.2 Interest Rate Risk

Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the interest rates. The Company's exposure to interest rate risk on its financial assets and liabilities are summarized as follows:

Rupees	Rate %	December 31, 2007			Total
		Upto one year	Exposed to interest rate risk Over one year	Not exposed to interest rate risk	
<b>Financial Assets</b>					
Interest accrued on bank deposits		-	-	2,950,523	2,950,523
Cash and bank balances	1-8	502,788,551	-	20,793	502,809,344
		502,788,551	-	2,971,316	505,759,867
<b>Financial Liabilities</b>					
Accrued and other liabilities		-	-	6,390,814	6,390,814
		-	-	6,390,814	6,390,814

### 14.3 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. All the financial assets of the company except Rs. 20,793 are exposed to credit risk. The company controls credit risk by monitoring credit exposure, limiting transactions with specific counter parties, obtaining collaterals and continually assessing the credit worthiness of counter parties.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values.

16. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns for shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

17. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 22, 2008 by the Board of Directors of the company.

18. GENERAL

18.1 Corresponding figures are not available as this is the first period of company's operation.

CHIEF EXECUTIVE

DIRECTOR