

# JAVEDAN

CORPORATION LIMITED



Condensed Interim  
Financial Report  
For the Half Year ended  
December 31, 2013





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## Corporate Information

### Board of Directors

Arif Habib  
Chairman

Samad A. Habib  
Chief Executive

Abdul Qadir  
Director

Hassan Ayub Adhi  
Director

Kashif A. Habib  
Director

Muhammad Ejaz  
Director

Muhammad Iqbal  
Director

Muhammed Siddiq Khokhar  
Director

Syed Ali Zulqarnain  
Director

### Chief Financial Officer

Syed Muhammad Talha

### Company Secretary

Haroon Usman

### Audit Committee

Abdul Qadir  
Chairman

Kashif A. Habib  
Member

Muhammad Ejaz  
Member

### HR & Remuneration Committee

Arif Habib  
Chairman

Samad A. Habib  
Member

Muhammad Ejaz  
Member

### **Auditors**

Haroon Zakaria & Co.  
Chartered Accountants

Yousuf Adil Saleem & Co.  
Chartered Accountants

### **Bankers**

Allied Bank Limited  
Al-Baraka Pakistan Limited  
Askari Bank Limited  
Bank Al-Falah Limited  
BankIslami Pakistan Limited  
Faysal Bank Limited  
Habib Bank Limited

KASB Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Sindh Bank Limited  
Summit Bank Limited  
United Bank Limited

### **Registered Office**

Arif Habib Center, 23,  
M.T.Khan Road,  
Karachi Pakistan – 74000,  
Tel: 32460717-19  
Fax: 32466824  
Website: [www.jcl.com.pk](http://www.jcl.com.pk)

### **Naya Nazimabad**

Naya Nazimabad,  
Manghopir Road,  
Karachi -75890  
Tel: 021-36770141-2  
Fax: 36770144  
Website: [www.nayanazimabad.com](http://www.nayanazimabad.com)

### **Share Registrar**

Central Depository Company of Pakistan Limited  
CDC House, 99 - B, Block - B  
S.M.C.H.S., Main Shakra-e-Faisal  
Karachi-74400.  
Tel: (92-021) 111-111-500 Ext: 3413  
Fax: (92-021) 3432 6053

## Directors' Report to the Members

Dear Shareholders,

The Directors of Javedan Corporation Limited (JCL) are pleased to present the financial report for the half year ended December 31, 2013.

### Overview

During the half year ended, your company recorded after-tax profit of Rs.863.31 million, an increase of 185 % over the same period last year. This translated into basic earnings per share of Rs.14.85 as compared to Rs 5.20 for the same period last year. The Company now has positive equity for the first time after several years. The equity now stands at Rs.60.98 million as compared to negative equity of Rs.1,416 million as at June 2013. This has happened because of the diversification strategy adopted by the Company. Your company launched Karachi's largest land development initiative for a modern housing project for the progressive middle-class keeping in perspective environmental concerns for the local residents, which was due to continuous smoke emission from the factory.

During the period under review, the Company received Rs.523 million from the customers and the total amount received from customers till December 2013 is Rs.2.1 billion. Despite challenges of varying nature faced by the city, Company's recovery hovers around 86 %, which is much higher than the norm and is reflective of the public's confidence in the project. During this period, the Company has also started to book rental income from its magnificent county standard cricket ground. This flood light ground is availed, on rent, by several local and multinational corporate entities on a regular basis. Further, we have already hosted several tournaments involving local and regional teams.

Following is a summary of comparative financial results:

Particulars	Dec 31, 2013	Dec 31, 2012
	(Rupees in thousands)	
Net Sales	1,177,780	1,478,482
Cost of sales	(352,683)	(880,482)
Gross Profit	825,098	598,000
Profit before taxation	630,527	310,142
Provision for taxation	232,787	(7,806)
Profit after taxation	863,314	302,336
EPS (in rupees) Basic	14.85	5.20

### Development Work in Progress

Over the past two years, the project has progressed as per the plan and achieved some significant developments, which include the following:

## Javedan Corporation Limited

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- Construction work on the boundary wall, which has perimeter of around 12 KM is near completion. This makes Naya Nazimabad comparable to any gated community of Pakistan such as Naval Housing Society, Malir Cantonment, Askari 4 in terms of safety and security. It will also promote community culture within Naya Nazimabad.
- Infrastructure Designing work has been completed by "NESPAK", which is one of the largest Infrastructure developer in Pakistan. The designs are being vetted by one of the renowned professional firm of Pakistan "EA Consulting" to ensure completeness and economic effectiveness.
- The bungalows' construction in Block B is in full swing to ensure the timely delivery of built up units.
- Contract has been awarded for the construction of Bank Street in Naya Nazimabad after the satisfactory completion of Leveling and Grading work. Some banks have already expressed their commitments to open branches.
- The Company, in collaboration with Layari Development Authority, is providing 48" Diameter Sewerage Pipe Line spread over 4 km exclusively for Naya Nazimabad Project. This pipe line will provide permanent solution for sewerage system to the residents of Naya Nazimabad. The installation of Pipe Line is almost near to completion.
- PC1 approvals from the Sindh Government for the construction of three wide Road Networks linked to Naya Nazimabad Project i.e. 4000 Road from North Karachi, 2000 Road from Nagan Chowrangi and Major Anwer Shamim Road from Sakhi Hasan have been obtained. These would improve access to Naya Nazimabd. The construction work on 4000 road shall commence soon. A bridge over 2000 Road connecting Major Anwer Shamim Road is also in consideration. This will not only provide permanent alternative solution to the Naya Nazimabad residents but also add value to the project.

### **Future Outlook**

In order to create a model community, the management has undertaken the following initiatives:

- Designs to set-up a modern "Gymkhana" club spread over 9 acres are ready and Earth work is nearing completion to allow start of construction.
- Conceptual drawings are ready for a health and education compound including a building for vocational training institute.
- Negotiations are underway with banks for the financing of Health and Education City and Naya Nazimabad Gymkhana.
- A primary school managed by TCF is already operational with full capacity and the construction of second building has already been completed and it will be operational from the next academic session.
- Comm-42, a modern commercial building is in the design stages, which will attract service oriented business entities.
- Designs for a large Jamia mosque with adjacent Islamic research center are also being finalized and construction work will start by the end of this financial year.
- Plans for new product offerings such as cottages, low-rise and high-rise apartments, commercial centers and other amenities are in place and shall be sequentially launched in the near future.

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**"Naya Nazimabad is the image of what we all hope for! It's what will bring our Karachi back to reality."**

All energies & efforts of the Management and Sponsors are currently focused on the Realization of "Naya Nazimabad Vision" and fulfillment of Market expectations. The board hopes that the project will be completed and handed over to the customers on time.

**Acknowledgement**

The Company strongly believes that its success is driven by the commitment and dedication of its employees. We acknowledge the contribution of each and every member of the Company in areas of his/her expertise. We would also like to express our thanks to the customers for their trust in our products and look forward to their continued patronage. We also thank our shareholders, banks and financial institutions for their support, guidance and confidence reposed in our enterprise and stand committed to do our best to ensure full reward of their investment in the coming years. We also thank the Securities and Exchange Commission of Pakistan and the management of Karachi Stock Exchange for their continued support and guidance. Further, we would like to thank Sindh Building Control Authiry, Lyari Development Authority, Environmental Protection Agency and above all Government of Sindh for their support to the project. May Allah bless us in our efforts. A'meen!

Thanking you all  
For and on behalf of the Board



Samad A. Habib  
Chief Executive Officer

Karachi: February 28, 2014



## Deloitte.

M. YOUSUF ADIL SALEEM & CO.  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Sharea Faisal  
Karachi



HAROON ZAKARIA & CO.  
Chartered Accountants  
210 & 211 - Progressive Plaza  
Beaumont Road  
Karachi

### DRAFT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

#### Introduction

We have reviewed the accompanying condensed interim balance sheet of Javedan Corporation 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 cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof [here-in-after referred to as "condensed interim financial information"], for the half year then ended. Management is responsible for the preparation and presentation of this condensed 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 quarter ended December 31, 2013 have not been reviewed 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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 of and for the half year ended December 31, 2013 are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

#### Emphasis of Matters

We draw attention to the following matters in respect of which our conclusion is not qualified:

- i. Note 1.3 of the condensed interim financial information which describes the steps and measures taken by the management to improve the financial and operational condition of the Company.
- ii. Note 6.1 to the condensed interim financial information related to deferred tax asset recoverability of which depends on future profitability of the Company.

**M. YOUSUF ADIL SALEEM & CO.**  
Chartered Accountants

Engagement Partner:  
Nadeem Yousuf Adil

Karachi  
Dated: February 28, 2014

**HAROON ZAKARIA & CO.**  
Chartered Accountants

Engagement Partner:  
Muhammad Haroon

**CONDENSED INTERIM  
BALANCE SHEET  
AS AT DECEMBER 31, 2013**

	Note	(Un-audited) December 31, 2013	(Audited) June 30, 2013
(Rupees in '000)			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	1,091,451	55,972
Intangibles		6,406	7,459
Deferred taxation	6	1,086,606	842,841
Trade debts - long term		1,337,651	735,186
Long term security deposits		3,335	3,335
		<u>3,525,449</u>	<u>1,644,793</u>
<b>Current assets</b>			
Development properties	7	8,545,919	9,114,325
Trade debts		624,770	424,928
Advances	8	23,162	12,581
Deposits, prepayments and other receivables	9	17,984	17,921
Tax refunds due from Government		1,563	9,555
Cash and bank balances		521	15,132
		<u>9,213,919</u>	<u>9,594,442</u>
		<u>12,739,368</u>	<u>11,239,235</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
<b>Authorised</b>			
Ordinary shares	10	1,200,000	1,200,000
Preference shares	10	1,200,000	1,200,000
<b>Issued, subscribed and paid up capital</b>			
Ordinary shares		581,282	581,282
Preference shares		1,127,713	1,127,713
Reserves		(1,648,010)	(3,125,452)
		<u>60,985</u>	<u>(1,416,457)</u>
<b>Surplus on revaluation of land</b>	11	6,864,821	6,870,570
<b>Non-current liabilities</b>			
Long term finances - secured	12	1,502,256	2,209,521
Liabilities against assets subject to finance lease		1,075	1,253
Deferred liabilities		455	1,539
		<u>1,503,786</u>	<u>2,212,313</u>
<b>Current liabilities</b>			
Trade and other payables	13	149,215	135,699
Mark-up accrued		277,941	220,829
Advance from customers	14	701,087	631,644
Short term borrowings	15	789,700	424,736
Current maturity of :			
Long term finance	12	2,391,468	2,159,564
Liabilities against assets subject to finance lease		365	337
		<u>4,309,776</u>	<u>3,572,809</u>
<b>Contingencies and commitments</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>	16	<u>12,739,368</u>	<u>11,239,235</u>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial information.

  
Chief Executive

  
Director


Half Yearly report 2013

**CONDENSED INTERIM  
PROFIT AND LOSS ACCOUNT - (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

	Note	Half Year Ended		Quarter Ended	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
(Rupees in '000)					
Revenue		1,177,780	1,478,482	1,100,321	1,478,482
Cost of sales		(352,683)	(880,482)	(318,730)	(880,482)
<b>Gross profit</b>		<b>825,098</b>	<b>598,000</b>	<b>781,592</b>	<b>598,000</b>
Marketing and selling expenses		(747)	(19,464)	(225)	(1,171)
Administrative expenses	17	(78,407)	(71,324)	(50,809)	(35,620)
Other income		52,700	4,152	51,936	2,739
Other operating charges		-	(34)	-	-
<b>Profit from operations</b>		<b>798,644</b>	<b>511,330</b>	<b>782,494</b>	<b>563,948</b>
Finance cost		(168,117)	(201,188)	(86,761)	(93,659)
<b>Profit before taxation</b>		<b>630,527</b>	<b>310,142</b>	<b>695,733</b>	<b>470,289</b>
Taxation	18	232,787	(7,806)	133,563	(7,804)
<b>Profit after taxation</b>		<b>863,314</b>	<b>302,336</b>	<b>829,296</b>	<b>462,485</b>
<b>Earnings per share</b>					
<b>Basic</b>	19	<b>14.85</b>	5.20	<b>14.27</b>	7.96
<b>Diluted</b>	19	<b>11.56</b>	4.30	<b>11.10</b>	6.57

The annexed notes from 1 to 22 form an integral part of these condensed interim financial information.

  
Chief Executive

  
Director

Half Yearly report 2013

**CONDENSED INTERIM  
STATEMENT OF COMPREHENSIVE INCOME - (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

	Half Year Ended		Quarter Ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(Rupees in '000)			
Profit after taxation	863,314	302,336	829,296	462,485
Other comprehensive income for the period	-	-	-	-
Items that will not be reclassified subsequently to profit and loss account	-	-	-	-
Items that will be reclassified subsequently to profit and loss account	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>863,314</b>	<b>302,336</b>	<b>829,296</b>	<b>462,485</b>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial information.

  
Chief Executive

  
Director

Half Yearly report 2013

**CONDENSED INTERIM  
CASH FLOW STATEMENT - (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

	December 31, 2013	December 31, 2012
	(Rupees in '000)	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	630,527	310,142
<b>Adjustments for non-cash charges and other items</b>		
Depreciation	4,543	3,750
Amortization	1,053	1,023
Finance cost	168,117	201,188
Interest income	(268)	(1,408)
	<u>173,445</u>	<u>204,553</u>
<b>Cash generated from operating activities before working capital changes</b>	<b>803,972</b>	<b>514,695</b>
<b>(Increase) / decrease in current assets</b>		
Development properties	138,149	721,116
Trade debts	(802,307)	(558,613)
Advances	(10,581)	(16,921)
Deposits, prepayments and other receivables	(63)	17,039
	<u>(674,802)</u>	<u>162,621</u>
<b>Increase / (decrease) in current liabilities</b>		
Advance from customers	69,443	(280,809)
Trade and other payables	13,516	(38,397)
	<u>82,959</u>	<u>(319,206)</u>
<b>Net cash generated from operations</b>	<b>212,129</b>	<b>358,110</b>
Income tax paid	(2,986)	(741)
Finance cost paid	(111,004)	(423,463)
Gratuity paid	(1,084)	-
<b>Net cash generated from operating activities</b>	<b>97,055</b>	<b>(66,094)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(1,387)	(4,027)
Purchase of intangibles	-	(55)
Interest received	268	1,730
Long term deposits paid	-	(312)
<b>Net cash used in investing activities</b>	<b>(1,119)</b>	<b>(2,664)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of long term finance - net	(475,361)	(95,333)
Proceeds from short term borrowing	364,964	141,000
Principal repayment of finance lease	(150)	(1,300)
<b>Net cash generated from financing activities</b>	<b>(110,547)</b>	<b>44,367</b>
<b>Net increase / (decrease) in cash and bank balances</b>	<b>(14,611)</b>	<b>(24,391)</b>
<b>Cash and bank balances at beginning of the period</b>	<b>15,132</b>	<b>31,476</b>
<b>Cash and bank balances at end of the period</b>	<b>521</b>	<b>7,085</b>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial information.

  
Chief Executive

  
Director

**CONDENSED INTERIM  
STATEMENT OF CHANGES IN EQUITY - (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

	Share capital	Preference Share	Capital reserves	Reserve Revenue		Total
				General	Accumulated losses	
(Rupees in '000)						
<b>Balance as at July 01, 2012</b>	581,282	1,127,713	11,966	63,500	(4,736,311)	(2,951,850)
Profit for the period	-	-	-	-	302,336	302,336
Other comprehensive income for the period	-	-	-	-	-	-
	-	-	-	-	302,336	302,336
Reversal of surplus on revaluation of land	-	-	-	-	724,979	724,979
<b>Balance as at December 31, 2012</b>	<b>581,282</b>	<b>1,127,713</b>	<b>11,966</b>	<b>63,500</b>	<b>(3,708,996)</b>	<b>(1,924,535)</b>
<b>Balance as at July 01, 2013</b>	581,282	1,127,713	11,966	63,500	(3,200,918)	(1,416,457)
Profit for the period	-	-	-	-	863,314	863,314
Other comprehensive income for the period	-	-	-	-	-	-
	-	-	-	-	863,314	863,314
Reversal of surplus on revaluation of land	-	-	-	-	614,128	614,128
<b>Balance as at December 31, 2013</b>	<b>581,282</b>	<b>1,127,713</b>	<b>11,966</b>	<b>63,500</b>	<b>(1,723,476)</b>	<b>60,985</b>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial information.

  
Chief Executive

  
Director

Half Yearly report 2013

**NOTES TO THE CONDENSED INTERIM  
FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

**1. STATUS AND NATURE OF BUSINESS**

- 1.1** Javedan Corporation Limited (the Company) was incorporated in Pakistan on June 08, 1961, as a public limited company under the repealed Companies Act, 1913 (now Companies Ordinance, 1984) and is listed on the Karachi Stock Exchange. The registered office of the Company is located at Arif Habib Center, 23, M.T Khan Road, Karachi.
- 1.2** The Company has ceased its cement business since July 01, 2010 and management has developed business diversification strategy for utilizing the Company's land for developing a housing scheme, "Naya Nazimabad", which will include bungalows, open plots, apartments, flat sites and commercial sites. The housing project is located at Manghopir, Karachi. The Company's layout plan of the project is approved by Lyari Development Authority vide letter number LDA/PP/2010/255 on March 02, 2011 and has obtained No Objection Certificate from Sindh Building Control Authority having NOC # SBCA/D.D(D-II)/985/ADV-503/2011 on November 12, 2011.
- 1.3** During the current period, the Company has earned profit before taxation of Rs. 630.53 million (Dec 31, 2012: 310.14 million) however, its accumulated losses stand at Rs. 1,648.01 million (June 30, 2013: Rs. 3,125.45 million). These accumulated losses of the Company pertain to the cement business which was ceased in year 2011. Moreover, the management of the Company has taken the following steps / measures to improve the financial and operational condition of the Company:
- First phase of Naya Nazimabad housing scheme (the Project), which was launched in November 2011, has received a positive response from customers. As of balance sheet date Company has received advance amounting to Rs. 2,146 million including advance of Rs. 523 million received during current period against booking of bungalows and open plots;
  - The Company has strong financial support from its sponsors / associated companies which is evident from loan outstanding as of December 31, 2013 amounting to Rs. 831.424 million;
  - In prior years, the Company had entered into agreements with banking companies according to which long term finance relating to TFCs along with outstanding mark-up has been rescheduled / settled in the form of Debt / Asset swap. During the period, the Company has not defaulted in the repayment of its outstanding principal of long term finance; and
  - The management has prepared projections of the Company, according to which Phase-I of the Project will be completed by June 30, 2016 and all installments as per the payment plan will be realised by the same date. Further, the Company will also sale all its commercial plots during the same period. As per the projections, the Company will have adequate cash inflows to pay off its banking loans and other project development liabilities when they fall due and will continue to have profitable operations.

**2. BASIS OF PREPARATION**

- 2.1** This condensed interim financial information of the Company for the half year ended December 31, 2013 is unaudited and have been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.

- 2.2** The figures of condensed interim profit and loss account for the quarter ended December 31, 2013 have not been reviewed by the auditors of the Company as they have reviewed the cumulative figures for the half year ended December 31, 2013. This condensed interim financial information does not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2013.
- 2.3** These condensed interim financial information have been prepared under 'historical cost convention'.
- 2.4** These condensed interim financial information are presented in Pakistani Rupees which is also the Company's functional currency.
- 2.5** The comparative balance sheet presented has been extracted from annual financial statements for the year ended June 30, 2013, whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity have been extracted from the unaudited condensed interim financial information for the half year ended December 31, 2012.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

- 3.1** The accounting policies, applied in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2013, except as disclosed in note 3.2.
- 3.2** IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 01, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Amendments to IAS 19 'Employee Benefits' are applicable to the Company from July 1, 2013, however, the Company has decided to apply the amendments in the annual financial statements for the year ending June 30, 2014 as the impact of application is considered immaterial.

- 3.3** The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, remeasurements on defined benefit plans). Income tax on items of other comprehensive income is required to be allocated on the same basis, i.e., the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application. The above change does not have any impact on this condensed interim financial information.



#### 4. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

- 4.1** The preparation of the condensed interim financial information in conformity with approved accounting standards as applicable in Pakistan requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revision to accounting estimates are recognized prospectively commencing from the period of revision.
- 4.2** In preparing this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key source of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2013.
- 4.3** The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2013.

December 31, December 31,  
2013 2012  
(Rupees in '000)

#### 5. PROPERTY AND EQUIPMENT

During the period following additions were made:

##### 5.1 Additions during the period

Furniture, fixtures and equipment	90	2,200
Buildings and roads	-	1,217
Computer equipment	1,297	-
Other assets	-	610
	<u>1,387</u>	<u>4,027</u>

- 5.2** There are no disposals made during the period from July 2013 to December 2013.

#### 6. DEFERRED TAXATION

Deferred tax liabilities arising in respect of:

Accelerated tax depreciation	(2,476)	(2,507)
Assets subject to finance lease	(1,937)	(2,091)
	(4,413)	(4,598)

Less: deferred tax assets arising in respect of:

Liabilities subject to finance lease	504	541
Goodwill	469,609	405,504
Employee gratuity fund	159	523
Minimum tax impact	31,448	20,379
Assessed tax losses	1,149,565	1,239,059
	<u>1,651,285</u>	<u>1,666,006</u>
	1,646,872	1,661,408
Less: Deferred tax asset not recognised	6.1 (560,266)	(818,567)
	<u>1,086,606</u>	<u>842,841</u>

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6.1 Deferred tax asset as at December 31, 2013 to the extent of Rs. 560.266 million (June 30, 2013: 818.567 million) has not been recognised as the Company does not expect to generate sufficient taxable profits against which such benefits can be utilised. However, the recognised deferred tax asset would be recovered as per the projections discussed in note 1.3.

	Note	December 31, 2013	June 30, 2013
(Rupees in '000)			
<b>7. DEVELOPMENT PROPERTIES</b>			
<b>Land</b>		<b>8,548,907</b>	8,548,907
<b>Development expenditure</b>			
- Opening balance		<u>1,122,573</u>	753,560
- Incurred during the period / year		<u>122,700</u>	369,013
		<u>1,245,273</u>	1,122,573
		<u>9,794,180</u>	9,671,480
<b>Borrowing costs</b>			
-Opening balance		<u>549,049</u>	359,646
-Charged during the period / year		<u>125,029</u>	189,403
		<u>674,078</u>	549,049
Transferred to cost of sales		<u>(1,458,888)</u>	(1,106,204)
Transferred to property and equipment	11	<u>(430,257)</u>	-
Recovered from customers against development expenditure		<u>(33,194)</u>	-
		<u>8,545,919</u>	<u>9,114,325</u>
<b>8. ADVANCES</b>			
Considered good			
Advances to suppliers		<u>1,366</u>	-
Advances to contractors		<u>19,850</u>	10,735
Advances against services and expenses		<u>1,946</u>	1,846
		<u>23,162</u>	<u>12,581</u>
<b>9. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Deposits			
Guarantee margin		<u>225</u>	225
With contractors		<u>2,680</u>	2,680
Security deposit with Karachi Building Control Authority (KBCA)		<u>6,724</u>	6,724
Others		<u>36</u>	36
		<u>9,665</u>	<u>9,665</u>
<b>Prepayments</b>			
Prepaid rent and insurance		<u>1,805</u>	1,818

	December 31, 2013	June 30, 2013
<b>Other receivables</b>	<b>(Rupees in '000)</b>	
International Builders and Developers (Pvt.) Limited - related party	524	524
Sales tax refundable	4,703	4,703
Excise duty refundable	574	574
Others	713	637
	<u>17,984</u>	<u>17,921</u>

**10. SHARE CAPITAL**

December 31, 2013	June 30, 2013		December 31, 2013	June 30, 2013
(Number of Shares)			(Rupees in '000)	
<u>120,000,000</u>	<u>120,000,000</u>	Ordinary shares of Rs.10 each	<u>1,200,000</u>	<u>1,200,000</u>
		12% Redeemable, cumulative and convertible preference shares of Rs.10 each		
<u>120,000,000</u>	<u>120,000,000</u>		<u>1,200,000</u>	<u>1,200,000</u>

**10.1 Issued, subscribed and paid-up ordinary share capital**

December 31, 2013	June 30, 2013		December 31, 2013	June 30, 2013
(Number of Shares)			Number of shares	
8,600,000	8,600,000	Issued for cash	86,000	86,000
47,200,000	47,200,000	Issued under the financial restructuring arrangement	472,000	472,000
200,000	200,000	Issued as fully paid bonus shares	2,000	2,000
(54,268,643)	(54,268,643)	Shares cancelled due to merger	(542,686)	(542,686)
27,332,729	27,332,729	Shares issued in lieu of merger	273,327	273,327
<u>29,064,086</u>	<u>29,064,086</u>	Right shares issued	<u>290,641</u>	<u>290,641</u>
58,128,172	58,128,172		581,282	581,282

**Issued subscribed and paid up preference shares capital**

		12% Redeemable, cumulative and convertible preference shares of Rs.10 each		
<u>112,771,300</u>	<u>112,771,300</u>		<u>1,127,713</u>	<u>1,127,713</u>

		December 31, 2013	June 30, 2013
	Note	(Rupees in '000)	
<b>11. SURPLUS ON REVALUATION OF LAND</b>			
Property and equipment	11.1	1,006,846	-
Development properties		5,857,975	6,870,570
		<u>6,864,821</u>	<u>6,870,570</u>
<b>11.1</b> During the period, the Company has transferred 274,049 sq. yards of land having carrying value of Rs. 430.26 million (including revaluation surplus of Rs. 398.47 million), from development properties to operating fixed assets, as it intends to construct and operate educational institutions, health care facilities and gymkhana on the transferred land. Subsequent to the transfer, the land was revalued by professional valuer M/s. Harvester Services Private Limited on December 31, 2013. As per valuation, the fair value of land is Rs. 1,038.64 million resulting in revaluation surplus of Rs. 1,006.85 million.			
<b>12. LONG TERM FINANCE - secured</b>			
		December 31, 2013	June 30, 2013
	Note	(Rupees in '000)	
<b>Allied Bank Limited</b>			
- Medium term finance facility		800,000	1,000,000
- Debt asset swap arrangement		361,266	361,266
		<u>1,161,266</u>	<u>1,361,266</u>
<b>National Bank of Pakistan Limited</b>			
- Term Finance Certificates		1,225,000	1,225,000
- Term Finance Certificates - I		95,086	105,651
- Term Finance Certificates - II	12.1	71,833	-
		<u>1,391,919</u>	<u>1,330,651</u>
<b>Faysal Bank Limited</b>			
- Term Finance Certificates		500,000	600,000
- Debt asset swap arrangement		74,260	74,260
		<u>574,260</u>	<u>674,260</u>
<b>Term loans</b>			
- Bank Islami Pakistan Limited		31,250	125,000
<b>Related parties</b>			
- Arif Habib Corporation Limited		576,424	757,424
<b>Long term accrued mark-up on debt asset swap arrangement</b>			
- Allied Bank Limited		134,068	98,297
- Faysal Bank Limited		24,537	22,187
		<u>158,605</u>	<u>120,484</u>
Current maturity shown under current liabilities		<u>(2,391,468)</u>	<u>(2,159,564)</u>
	12.2	<u>1,502,256</u>	<u>2,209,521</u>

**12.1** During the period, the Company has issued Term Finance Certificate (TFCs) amounting to Rs. 71.832 million to National Bank of Pakistan. These TFCs carry mark up at the rate of 6 months KIBOR + 2.25% per annum. These TFCs are secured by way of mortgage over company's land measuring 16 Acres and 14 Ghuntas.

**12.2** The terms of all other facilities are same as disclosed in annual financial statements for the year ended June 30, 2013 except for the issuance of TFCs as mentioned in note 12.1.

	December 31, 2013	June 30, 2013
<b>13. TRADE AND OTHER PAYABLES</b>	<b>(Rupees in '000)</b>	
Creditors	2,455	829
Accrued liabilities	132,779	124,264
Retention money payable	7,956	5,624
Al-Abbas Cement Industries Limited - Related party	1,919	139
Withholding tax payable	1,272	2,009
Unclaimed dividend	2,834	2,834
	<u>149,215</u>	<u>135,699</u>

**14. ADVANCE FROM CUSTOMERS**

This represents amount received from customers in respect of booking of plots and bungalows as per the payment plan on which sales has not been recognised since it does not meet the recognition criteria.

		December 31, 2013	June 30, 2013
<b>15. SHORT TERM BORROWINGS</b>		<b>(Rupees in '000)</b>	
From banking companies - secured	<b>Note</b>		
Summit Bank Limited	15.1	135,000	135,000
Sindh Bank Limited	15.2	399,700	289,736
Related parties - interest bearing			
Loan from Director - unsecured	15.3	255,000	-
		<u>789,700</u>	<u>424,736</u>

**15.1** This represents short-term running finance and term finance obtained from Summit Bank amounting to Rs. 85 million and Rs. 50 million respectively. Both facilities carry mark-up at the rate of 3 months KIBOR + 4% and are secured by mortgage over 35.57 acres inclusive of margin and personal guarantee of Mr. Arif Habib.

**15.2** The facility carries markup rate of 13.5% per annum payable in quarterly installments and is secured by token mortgage of Rs. 0.1 million and remaining as equitable mortgage of land measuring 97,520 sq. yards for 796 plots owned by the Company in "Naya Nazimabad". Beside this the facility is also secured by personal guarantee of all sponsoring directors of the company.

**15.3** This loan was provided by Mr. Arif Habib. It carries mark-up at the rate of 3 months KIBOR + 4% and is repayable on demand.

**16. CONTINGENCIES AND COMMITMENTS****16.1 Contingencies**

There were no changes in contingencies since the last audited financial statements.

	December 31, 2013	June 30, 2013
	(Rupees in '000)	
<b>16.2 Commitments</b>		
Dividend on preference shares	273,246	205,769
Land for development and civil works	38,424	73,167
	<u>311,670</u>	<u>278,936</u>

	Note	Half Year Ended		Quarter Ended	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
(Rupees in '000)					
<b>17. ADMINISTRATIVE EXPENSES</b>					
Salaries, wages and other benefits	17.1	38,470	37,560	27,927	21,423
Fees and subscription		906	1,031	721	220
Depreciation		4,543	3,750	2,433	1,903
Amortization		1,053	1,023	526	515
Vehicle running expenses		5,053	4,965	2,592	2,802
Legal and professional charges		340	2,097	80	809
Repair and maintenance		1,419	1,257	560	685
Rent, rate and taxes		1,934	1,341	890	708
Utilities		12,192	9,056	7,212	4,022
Donation	17.2	2,156	4,298	331	599
Communication		1,432	1,132	921	545
Travelling and conveyance		529	771	380	277
Insurance		1,656	906	950	457
Printing and stationery		985	803	710	12
Auditors' remuneration		400	150	150	-
Entertainment		577	495	256	251
Meeting and convention		173	159	173	-
General expenses		4,589	530	3,747	392
		<u>78,407</u>	<u>71,324</u>	<u>50,559</u>	<u>35,620</u>

**17.1** This includes an amount of Rs. Nil (December 31, 2012: 1.290 million) in respect of employees retirement benefits.

**17.2** None of the directors or their spouses have any interest in the donees' funds.

	Half Year Ended		Quarter Ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
(Rupees in '000)				
<b>18. TAXATION</b>				
Current	11,069	7,806	10,293	7,804
Prior	(91)	-	(91)	-
	10,978	7,806	10,202	7,804
Deferred	(243,765)	-	(143,765)	-
	<u>(232,787)</u>	<u>7,806</u>	<u>(133,563)</u>	<u>7,804</u>

	Half Year Ended		Quarter Ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
(Rupees in '000)				
<b>19. EARNINGS PER SHARE</b>				

**Basic**

Profit after tax	<u>863,314</u>	<u>302,336</u>	<u>829,296</u>	<u>462,485</u>
Weighted average numbers of ordinary shares	<u>58,128,172</u>	<u>58,128,172</u>	<u>58,128,172</u>	<u>58,128,172</u>
Earnings per share - (Rupees)	<u>14.85</u>	<u>5.20</u>	<u>14.27</u>	<u>7.96</u>

**Diluted**

Profit after tax	<u>863,314</u>	<u>302,336</u>	<u>829,296</u>	<u>462,485</u>
Weighted average numbers of ordinary shares	<u>74,685,403</u>	<u>70,348,363</u>	<u>74,685,403</u>	<u>70,348,363</u>
Earning per share - (Rupees)	<u>11.56</u>	<u>4.30</u>	<u>11.10</u>	<u>6.57</u>

**20. TRANSACTION WITH RELATED PARTIES**

The related party comprise of associated undertakings, key management personnel and post employment benefit plan. The Company carries out transactions with various related parties as per agreements. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in this condensed interim financial information, are as follows:

	December 31, 2013	December 31, 2012
	(Rupees in '000)	
<b>Associates</b>		
Sales of scrap material	-	673
Sales of commercial plots	1,044,048	-
Amount received against sale of commercial plots	250,000	-
Loan received	269,000	13,000
Loan repaid	450,000	-
Purchase of cement	5,058	601
Transfer of employees loan and assets	-	744
Common sharing expenses incurred	-	202
Mark-up expense	52,472	33,234
<b>Key management personnel</b>		
Loan received from sponsors	255,000	41,000
Sale of residential plot	-	770
Sale of commercial plot	-	37,109
Mark-up expense	7,977	7,027

#### 21. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 28, 2014 by the Board of Directors of the Company.

#### 22. GENERAL

Figures have been rounded-off to the nearest thousands of rupees and comparative figures have been reclassified where necessary.

  
Chief Executive

  
Director





**JAVEDAN**  
CORPORATION LIMITED

If undelivered please return to:  
**JAVEDAN CORPORATION LIMITED**  
Arif Habib Center, 23, M.T. Khan Road, Karachi Pakistan-74000

CORPORATE