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Step # 1: Ranking in order of dilution

	Increase in earnings	Increase in no. of ordinary shares	Earnings per incremental shares	Rank
	Rs.		Rs.	
Convertible Debentures Increase in earnings (Rs. 7.5m x 70%) Increase in shares	5,250,000	3,000,000	1.75	3
Convertible Preference Shares Increase in earnings Increase in shares	2,450,000	4,000,000	0.61	2
Options Increase in earnings Increase in shares (1.5m x 1.1 / 11)	-	150,000	-	1

Step # 2: Testing for dilutive effect

	Profit from operations attributable to ordinary shareholders	Ordinary Shares	EPS	Effect
	Rs.		Rs.	
Basic Earnings per share Options (Rank 1)	*125,380,000	85,220,000	1.471	-
	-	150,000		
	125,380,000	85,370,000	1.469	Dilutive
Convertible preference shares (Rank 2)	2,450,000	4,000,000		
	127,830,000	89,370,000	1.430	Dilutive
Convertible debentures (Rank 3)	5,250,000	3,000,000		
	133,080,000	92,370,000	1.44	Anti-Dilutive

*Rs. 127,830,000 – Rs. 2,450,000 = Rs. 125,380,000

(b)

AAZ Limited

Notes to the financial statements

For the year ended December 31, 2007

EARNINGS PER SHARE

2007

Basic alternative to ordinary share holders

Profit (Rupees)	125,380,000
Weighted average number of ordinary shares outstanding during the year	85,220,000
Earnings per share - basic (Rupees)	1.47

Diluted

Profit after taxation (Rupees)	127,830,000
Weighted average number of ordinary shares, options and convertible preference shares outstanding during the year	89,370,000
Earnings per share - diluted (Rupees)	1.430

Because diluted earnings per share is increased when taking the convertible preference shares into account (from Rs. 1.430 to Rs. 1.44), the convertible debentures are anti-dilutive and are ignored in the calculation of diluted earnings per share.

A-2 Afridi Industries Limited

Extracts from the Statement of Comprehensive Income For the year ended December 31, 2008	Rupees in million
Profit before tax	120.0
Tax @ 35%	42.0
	78.0
Other comprehensive income	-
Total comprehensive income	78
Earnings per share	
Basic	
Continued operations (91 [W-1] - 49 [W-2])	1.86
Discontinued operations ((133) [W-1] - 49 [W-2])	(0.27)
	1.59
Diluted	
Continued operations (108.33 [W-1] - 60.67 [W-2])	1.78
Discontinued operations ((13) [W-1] - 60.67 [W-2])	(0.21)
	1.57

Afridi Industries Limited

Extracts from the Notes to the Financial Statements

For the year ended December 31, 2009

Basic earnings per share	
Profit attributable to ordinary shareholders (Rs. in millions)	78.00
Weighted average number of ordinary shares (numbers in millions) (W-2)	(W-1) 49.00
Diluted earnings per share	
Profit attributable to ordinary shareholders	78.00
After tax effect of finance cost on convertible TFCs (4x100x8 / 65%)x10/12	17.33
Profit after tax attributable to ordinary shareholders (diluted)	95.33
	Numbers in million
Weighted average number of ordinary shares (W-2)	49.00
Effect of convertible TFCs on number of shares (W-2)	11.67
Weighted average number of ordinary shares (diluted)	60.67

WORKINGS**W-1: Basic and diluted earnings**

	Rs. in million		
Profit before tax	140.00	(20.00)	120
Tax	(49.00)	7.00	(42)
Profit attributable to ordinary shareholders - basic earnings	91.00	(13.00)	78
Finance cost on convertible TFCs (4 x 100 x 8% x 65%) x 10/12	17.33		17.33
Profit attributable to ordinary shareholders - diluted earnings	108.33	(13.00)	95.33

W-2: No of ordinary shares outstanding for basic and diluted EPS computation

	Numbers in million
Ordinary shares outstanding as of Jan 1, 2008	40.00
Right issued during the year (40 x 30% x 9/12)	9.00
No of ordinary shares outstanding for Basic Earnings per Share	49.00
10 TFCs convertible into 35 ordinary shares (4,000,000 x 35/10) x 10/12	11.67
No of ordinary shares outstanding for Diluted Earnings per Share	60.67

A-3**ABC Limited****Notes to Consolidated Financial Statements****For the year ended March 31, 2010**

	2010
	Rs. in '000
Earnings per share basic	
Profit after tax and minority interest (15,000-2,000)	13,000
Dividend paid during the year to ordinary shareholders (Rs. 4,000)	-
10% Cumulative preference dividend for 2009 (Rs. 2,000)	-
10% Cumulative preference dividend for 2010	(2,000)
Dividend declared on 12% non cumulative preference shares for 2010	(2,400)
Profit available for distribution to ordinary share holders	<u>8,600</u>
	No. in '000
Weighted average number of ordinary shares	W1 13,146
Earnings per share - Basic and diluted	Rs. <u>0.65</u>
Diluted earnings per share	
Profit available for distribution to ordinary share holders	8,600
Effect of dividend declared on 12% non cumulative preference shares convertible into ordinary shares on or before December 31, 2011	2,400
	<u>11,000</u>
Weighted average number of ordinary shares	W1 13,146
12% Non cumulative preference shares convertible to ordinary shares on or before December 31, 2011	W2 1,771
	<u>14,917</u>
<u>Antidiluted</u> earning per share	<u>0.74</u>

W1: Weighted average ordinary shares outstanding for "Basic EPS"

Time lines		Actual shares	Bonus Adjustment factor (W3)	Period Adjustment	2010 (Weighted shares)
01-04-09 to 30-06-09	Outstanding on April 1,	10,000	1.008333X1.2	3/12	3,025
01-07-09 to 30-09-09	Outstanding on July 1,				

	Opening Conversion of 500,000 12% Cumulative preference shares into ordinary shares at a premium of Rs. 2 per share (500/12*10)	10,000 417			
		10,417	1.008333X1.2	3/12	3,151
01-10-09 to 31-03-10	Outstanding on Oct.1, 2009				
	Opening 1,200,000 shares of Rs. 10 each were issued at Rs. 11.5 per share against the market price of 12.5	10,417 1,200			
		11,617	1.2	6/12	6,970
					13,146

Weighted average ordinary shares resulting from conversion for "Diluted EPS"

Time lines		Actual shares		Period Adjustment	2010 (Weighted shares)
01-04-09 to 30-06-09	Outstanding on April 01,	3,025			
	Share converted on July 1, 2009	417			
	Shares to be converted	1,667			
		2,084		3/12	521
01-07-09 to 31-03-10	Outstanding on July 1,	1,667		9/12	1,250
					1,771

W3: Calculation of bonus adjustment factor

No. of shares @ Rs. Rs. in '000

Bonus element with right issue

Outstanding shares before the exercise of rights at fair value	10,417	12.50	130,213
Rights issued at a premium of Rs. 1.5	1,200	11.50	13,800
	11,617		144,013
Theoretical ex-right value per share (144,013/11,617)		Rs.	12.3967
Adjusting factor (Fair value 12.5 / Theoretical ex-right value 12.3967)			1.00833

Bonus issued on January 01, 2010 (20%)

Adjusting factor			1.2
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Rahat Limited

Notes to and forming part of the financial statements For the year ended March 31, 2011

			2011	2012
			Rs./share in '000	
1 Earnings per share:				
1.1 Basic earnings per share				
Profit after taxation			150,000	110,000
Dividend on 15% convertible preference shares (19,000*15%)			(2,850)	(3,000)
/ (20,000*15%)				
Profit attributable to ordinary shareholders			147,150	107,000
				Restated
Weighted average number of ordinary shares in issue	W1		5,638.28	5,170.36
Basic earnings per share	Rs.		26.10	20.69
1.2 Diluted earnings per share				
Profit after taxation			150,000	110,000
Weighted average number of shares in issue	W1		5,638.28	5,170.36
Conversion of 10,000 cumulative preference shares on July 1, 2010 (10*7)/12*3			17.50	-
Adjustment for potential ordinary shares on conversion of 15% cumulative preference shares (190*7)/(200*7)			1,330.00	1,400.00
				Restated
Weighted average number of shares for diluted earnings			6,985.78	6,570.36
Diluted earnings per share			21.47	16.74

During the year the company has issued 1 million right ordinary shares at Rs. 12 per share against the prevailing market price of Rs. 15 per share. This has resulted in **restatement of basic and diluted earnings per share for the year ended March 31, 2010.**

W-1 Weighted average ordinary shares outstanding for 'Basic EPS'

Description	Date of issue	Actual No. of shares	2011			2010 (Restated)		
			Time	Bonus factor (W.2)	Weighted average shares	Actual No. of shares	Bonus factor (W-1)	Weighted average shares
Balance	01-04-10	5,000	3/12	1.034072	1,292.59	5,000	1.034072	5,170.36
Conversion of 10,000 cumulative preference shares	01-07-10	70						
		5,070	3/12	1.034072	1,310.69			
Right issue	01-10-10	1,000						
		6,070	6/12	-	3,035.00			
Weighted average shares					5,638.28			5,170.36

W-2 Calculation of theoretical ex-right value per share and bonus adjustment factor

Outstanding shares before the exercise of rights at fair value	5,070	15.0	76,050
Exercise of rights issued at Rs. 12 per share	1,000	12.0	12,000
	6,070		88,050
Theoretical ex-right value per share	88,050/6,070		14.50576
Bonus adjustment factor	15/14.50576		1.034072

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No TFC's Converted to ordinary shares		
Basic Earnings per share (B.EPS)		
Profit attributable to ordinary shareholders	Rs. 20,000,000	
No. of shares		
$5,000,000 \times 3/12 \times 11/10 + 5,500,000 \times 9/12$		
1,375,000 + 4,125,000	5,500,000	
(20,000,000/5,375,000)		3.63 Rs. /share
Dilutive Earnings per share (D.EPS)		
Earnings used for basic EPS	20,000,000	
Net of tax interest saved on conversion of TFC's		
$[120,000,000 \times 13\% (1-0.35)]$	10,140,000	
	30,140,000	
No. of shares		
Used for basic EPS	5,500,000	
Assumed to be issued on conversion of TFC's		
$[120,000,000 \times 25/1000]$	3,000,000	
	8,500,000	
(30,140,000/8,500,000)		3.54 Rs. / Share
40% TFC's converted into ordinary shares		
Basic Earnings per share (B.EPS)		
Profit attributable to ordinary shareholders	Rs. 20,000,000	
Interest saved on conversion of TFC's		
$(120,000,000 \times .40 \times 13\% (1-.35))$	4,056,000	24,056,000
No. of shares		
$5,000,000 \times 3/12 \times 11/10 + 5,500,000 \times 3/12 + 6,700,000 \times 6/12$		6,100,000
(24,056,000/6,100,000)		3.94 Rs. /share
Dilutive Earnings per share (D.EPS)		
Earnings used for basic EPS	24,056,000	
Net of tax interest saved on conversion of TFC's		

[72,000,000x13%(1-0.35)]	6,084,000	
		30,140,000
No. of shares		
Used for basic EPS	6,100,000	
Assumed to be issued on conversion of TFC's		
[72,000,000x25/1000]	1,800,000	
		7,900,000
		3.81 Rs. /share

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	2002	
Basic Earnings per share (B.EPS)	Millions	
Profit attributable to ordinary shareholders	Rs. 1,100	
No. of shares	5	
		Rs. 220 /share
Dilutive Earnings per share (D.EPS)		Rs. 220 /share
	2003	2002
Basic Earnings per share (B.EPS)	Millions	Millions
Profit attributable to ordinary shareholders	Rs. 1,500	Rs. 1,100
No. of shares		5x11/10
[5x2/12x11/10+6x10/12]	5.92	5.5
	253.40 Rs./Share	200 Rs. /Share
TERP (60/6)	10	
5 shares market value =5x11	55	
1 share exercise price =1x 5	5	
6	60	
Dilutive Earnings per share (D.EPS)	253.40 Rs./Share	200 Rs. /Share
	2004	2003
Basic Earnings per share (B.EPS)	Millions	Millions
Profit attributable to ordinary shareholders	Rs. 1,800	Rs. 1,500
No. of shares	6	5.92
	Rs. 300 /Share	Rs. 253.40/ Share
Dilutive Earnings per share (D.EPS)		
Earnings used for basic EPS	1,806	Rs. 1,500
No. of shares	7.5	5.92
	Rs. 240.80/Share	Rs. 253.40/ Share
Earnings used for basic EPS	1,800	
Interest saved net of tax (10-4)	6	

	1,806	
Used for basic EPS	6	
Assumed to be issued on Convertible		
(0.5x3)	1.5	
	7.5	

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Basic EPS =
$$\frac{\text{Net profit attributable to ordinary share holders}}{\text{Weighted average number of shares outstanding}}$$

Profit Rs. 48,000,000

Weighted Average of shares

Opening $10,000,000 \times 4/12 \times 6/5 \times 33/31.4$
4,203,822 A

On first right issue $10,000,000 \times 2/12 \times 6/5 \times 33/31.4$
2,101,911 B

$2,000,000 \times 2/12 \times 33/31.4$
350,318 C

Bonus issue $14,000,000 \times 4/12 \times 33/31.4$
4,904,459 D

2nd Right issue $17,500,000 \times 2/12$
2,916,667 E

Total shares 14,477,177

Basic EPS =
$$\frac{48,000,000}{14,477,177}$$

3.31 per share

W-1

Calculation of theoretical ex- $5 \times 40 = 200$
right price first right issue $1 \times 40 = 40$
 $240/6 = 40$

W-2

Calculation of theoretical ex- $4 \times 33 = 132$
right price 2nd right issue $1 \times 25 = 25$
 $157/5 = 31.4$

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Basic EPS	Continuing	Discontinuing	Total
Earnings	18,270	(5,700)	12,570
No. of shares	13,800	13,800	13,800
	1.32	(0.41)	0.91
Dilutive EPS			
	18,794	(5,700)	13,094
	29,340	29,340	29,340
	0.64	(0.19)	0.45
	Continuing	Discontinuing	Total
Operating profit	26,700	(1,120)	25,580
Gain /(loss) on disposal	2,500	(5,080)	(2,580)
Operating profit	29,200	(6,200)	23,000
Finance cost	(2,100)	--	(2,100)
Profit /(loss) before tax	27,100	(6,200)	20,900
Tax expense	(7,400)	(100)	(7,500)
Profit after tax	19,700	(6,300)	13,400
NCI	(1,140)	600	(540)
Profit attributable to group	18,560	(5,700)	12,860
Preference dividend	(210)	--	(210)
Amortization	(80)	--	(80)
Profit available to ordinary shareholders	18,270	(5,700)	12,570
No. of shares	No. of shares	Weighted Average	
1-6-98	10,100	(10,100x7/12x6/5)+	
1-1-99	3,600	(13,700x2/12x6/5)+	
1-3-99	1,200	(14,900x1/12x6/5)+	
1-4-99	2,400	(12,500x2/12x6/5)	
31-05-1999	12,500	13,800	
Calculation of dilutive EPS			
a) Control No.		1.32	
b) Incremental EPS			

Potentially issuable shares	Effect on earnings	Effect on No. of shares	I. EPS
Options			
Option # 1	--	$[1,200-(1,200 \times 2/5)]$ $\times 9/12=540$	--
Option # 2	--	$[2,000-(2,000 \times 3/5)]$ $\times 12/12=800$	--
Option # 3	--	$[1,000-(1,000 \times 4/5)]$ $\times 12/12=200$	--
Preference shares	290	$3,000 \times 1/1.5=2,000$	0.145
Convertible loan	$360(1-.35)$ $=234$	$6,000 \times 2=12,000$	0.0195
c) Ranking			
i) Options			
ii) Convertible loan			
iii) Convertible preference shares			
d) Cumulative EPS			
By adding Options		$18,270/(13,800+1,540)$	1.19
		$18,270/15,340$	
By adding Convertible loan		$(18,270+234)/(15,340+12,000)$	
		$18,504/27,340$	0.68
By adding Preference shares		$(18,504+290)/(27,340+2,000)$	
		$18,794/29,340$	0.64

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Basic EPS	Continuing	Discontinuing	Total
Operating profit	300,000	100,000	400,000
Interest expense	(100,000)	--	(100,000)
Profit before tax	200,000	100,000	300,000
Tax expense	(60,000)	(30,000)	(90,000)
Profit after tax	140,000	70,000	210,000
No. of shares	2,000,000	2,000,000	2,000,000
	7 Paisa	3.5 paisa	10.5 paisa
Dilutive EPS			
Earnings	172,500	70,000	242,500
No. of shares	4,020,000	4,020,000	4,020,000

	4.29 paisa	1.74 paisa	6 paisa
Calculation of dilutive EPS			
e) Control No.		7 paisa	
f) Incremental EPS			
Potentially issuable shares	Effect on earnings	Effect on No. of shares	I.EPS
Options	--	100,000- (100,000x60/75) =20,000	--
8% Preference shares	640,000	800,000x2=1,600,000	40.0 paisa
5% Convertible loan	50,000 (1-0.30)= 32,500	1,000,000x2=2,000,000	1.625 paisa
g) Ranking			
iv) Options			
v) Convertible loan			
vi) Convertible preference shares			
h) Cumulative EPS			
By adding Options		[140,000+0]/2,020,000	6.9 paisa
By adding Convertible loan		[140,000+32,500]/ [2,020,000+2,000,000]	4.29 paisa
By adding Preference shares		[172,500+640,000]/ [4020,000+1,600,000]	14.45 paisa

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Que Limited

Extract from the Statement of Comprehensive Income

2011

Earnings per share

Basic

Continued operations [(124,250,000 + 40,000,000) - 85,224,000]1

1.93

Discontinued operations [(40,000,000) - 85,224,000]

(0.47)

1.46

Diluted

Continued operations [(131,400,000 + 40,000,000) - 91,724,000]1

1.87

Discontinued operations [(40,000,000) - 91,724,000]

(0.44)

1.43

Que Industries Limited

Extract from notes to the Financial Statements

For the year ended 31 December 2012

17- Earnings per share

	2011	
	Basic	Diluted
Total comprehensive income attributable to ordinary shareholders	124.25	131.40
(Rs. in million) Note 17.1,17.2		
Weighted average number of ordinary shares outstanding during the year	85,224,000	91,724,000
Note 17.3		

17.1 Reconciliation of profit for the year to Basic earnings

	2011
	Rs. in million
Profit for the year	130.00
Less: Preference dividend	(5.75)
Basic earnings	124.25

17.2 Reconciliation of basic earnings to diluted earnings

Basic earnings	124.25
Add: Interest on convertible debentures	7.15
Diluted earnings	131.40

17.3 Reconciliation of basic number of shares to diluted number of shares

Basic number of shares	85,224,000
Options	500,000
Convertible debentures	6,000,000
Preference shares (Not adjusted being anti-dilutive)	-
Diluted number of shares	91,724,000

WORKINGS**W-I: Weighted average number of shares**

Description	Date of issue	Actual no. of shares	Time	Bonus factor	W/Avg. shares
Balance	1-Jan-II	80,000,000	3/4	1.0204	61,224,000
Right issue	30-Sep-II	16,000,000	-	-	-
		96,000,000	1/4	1.0000	24,000,000
					85,224,000

W-1.1 : Calculation of theoretical ex-right price

	Shares Quantity	Market Rate	Value
Outstanding shares before the exercise of rights at fair value	80,000,000	12.50	1,000,000,000
Exercise of right issued	16,000,000	11.00	176,000,000
	96,000,000		1,176,000,000

Theoretical ex-right price per share (Rs. 1,176,000,000 - 96,000,000)	12.25
Bonus adjustment factor (12.50 - 12.25)	1.0204

W-2 : Ranking of dilutive instruments

Description	Increase in earnings	Increase in no. of ordinary shares	Earnings per incremental share	Rank
Convertible debentures	7,150,000	6,000,000	1.19	2
	<i>(11,000,000 x 65%)</i>			
Options- bonus element	-	500,000	-	1
		<i>(25,0000x120x2/12)</i>		
Preference shares	5,750,000	4,000,000	1.44	3

W-3 : Testing for dilutive effect

	Profit attributable to ordinary shareholders	Ordinary shares	EPS	Effect
Basic earnings per share	124,250,000	85,224,000	1.4579	
Options	-	500,000		
	124,250,000	85,724,000	1.4494	Dilutive
Convertible debentures	7,150,000	6,000,000		
	131,400,000	91,724,000	1.4326	Dilutive
Preference shares	5,750,000	4,000,000		
	137,150,000	95,724,000	1.4328	Anti dilutive