



Russell  
Bedford

**Rahman Sarfaraz Rahim Iqbal Rafiq**  
CHARTERED ACCOUNTANTS

**Intermarket Securities Limited**

Audited Financial Statements  
For the Year ended  
June 30, 2015





**Rahman Sarfaraz Rahim Iqbal Rafiq**

CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.  
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### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Intermarket Securities Limited (herein after referred as 'the Company')** as at **June 30, 2015**, and the related profit & loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes 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 above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said 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 balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts 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 explanations given to us, the balance sheet, profit & loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof 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 affairs as at **June 30, 2015**, and of the profit, total comprehensive income, changes in equity and its cash flows for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980, (XVII of 1980).

Karachi.

Date:

**12 8 SEP 2015**

  
**Rahman Sarfaraz Rahim Iqbal Rafiq**  
Chartered Accountants  
Engagement Partner: Muhammad Rafiq Dosani



**INTERMARKET SECURITIES LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2015**

	Note	2015 Rupees	2014
<b>NON CURRENT ASSETS</b>			
Property and equipment	4	30,217,041	7,193,093
Intangible assets	5	23,569,322	20,476,341
Investment-Available for sale	6	10,530,250	10,530,250
Long term deposits	7	9,499,082	8,789,977
Long term investment	8	36,000,000	36,000,000
<b>CURRENT ASSETS</b>			
Investment- at fair value through profit and loss	9	650,713,841	221,855,539
Trade debts	10	224,810,631	277,577,602
Advances, deposits, prepayments and other receivables	11	29,166,938	30,658,558
Advance tax	12	6,637,105	969,185
Short term loan	13	64,000,000	64,000,000
Derivative .		819,085	-
Cash and bank balances	14	49,239,048	22,394,711
		1,025,386,648	617,455,595
		<u>1,135,202,343</u>	<u>700,445,256</u>
<b>CAPITAL AND LIABILITIES</b>			
Authorized Share Capital 100 million (2014:1,000,000,000)		1,000,000,000	1,000,000,000
Ordinary Shares of Rs 10 each			
Ordinary Share Capital	15	200,559,560	200,559,560
Accumulated profit / (losses)		471,632,160	86,969,531
		672,191,720	287,529,091
<b>NON CURRENT LIABILITIES</b>			
Directors' loan		34,000,000	34,000,000
Long term finance	16	3,943,356	-
Deferred Taxation	17	57,530,062	
<b>CURRENT LIABILITIES</b>			
Short term borrowings - secured	18	191,778,298	275,882,110
Trade and other payables	19	170,304,230	95,291,212
Current Maturity of Long term Finance		793,908	-
Accrued markup	20	4,660,769	7,742,843
		367,537,205	378,916,165
Contingencies and commitment	21		-
		<u>1,135,202,343</u>	<u>700,445,256</u>

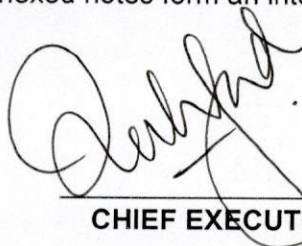
The annexed notes form an integral part of these financial statements.

**INTERMARKET SECURITIES LIMITED**  
**PROFIT & LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	NOTE	2015 Rupees	2014
Operating revenue	22	107,847,009	71,076,742
Gain on Derivative	23	819,085	-
Capital gain on investment - net		61,190,267	13,386,414
Gain / (Loss) on revaluation of investments		378,540,409	20,193,063
		<u>548,396,770</u>	<u>104,656,219</u>
<b>OPERATING EXPENSES</b>			
Administrative expenses	24	50,879,529	30,627,430
Finance costs	25	34,803,280 (85,682,809)	17,874,768 (48,502,198)
Workers' Welfare Fund		(9,254,279)	(1,497,398)
<b>Profit before taxation</b>		<u>453,459,682</u>	<u>54,656,623</u>
Less: Taxation	26	68,797,053	7,698,221
<b>Profit for the year</b>		<u><u>384,662,629</u></u>	<u><u>46,958,402</u></u>

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

12

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**




**INTERMARKET SECURITIES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015 Rupees	2014
Profit after taxation		384,662,629	46,958,402
Other comprehensive income		-	-
Total comprehensive income for the year		<u>384,662,629</u>	<u>46,958,402</u>

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

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CHIEF EXECUTIVE

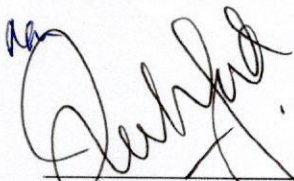
  
\_\_\_\_\_  
DIRECTOR



**INTERMARKET SECURITIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Share Capital	Accumulated Profit/(Losses)	Total Equity
	Rupees		
Balance as at July 01, 2013	200,559,560	40,011,129	240,570,689
Comprehensive income for the year	-	46,958,402	46,958,402
Balance as at June 30, 2014	200,559,560	86,969,531	287,529,091
Comprehensive income for the year	-	384,662,629	384,662,629
Balance as at June 30, 2015	200,559,560	471,632,160	672,191,720

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

  
 CHIEF EXECUTIVE

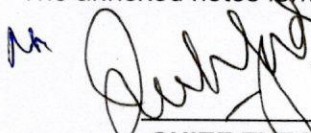
  
 DIRECTOR



**INTERMARKET SECURITIES LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014
	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	453,459,682	54,656,623
<b>Adjustments for:</b>		
Depreciation	2,818,073	830,289
Amortization	557,019	11,899
Loss / (gain) on revaluation of investments	(378,540,409)	20,193,063
Provision for WWF	9,254,279	1,497,398
Finance cost	34,803,280	17,874,768
Gain on Derivative	(819,085)	
	(331,926,843)	40,407,417
<b>Changes in working capital items</b>	121,532,839	95,064,040
<b>(Increase) / Decrease in Current assets</b>		
Trade debts	52,766,971	(126,448,287)
Advances, deposits, prepayments and other receivables	1,491,620	(7,452,717)
	54,258,591	(133,901,004)
<b>Increase / (Decrease) in Current liabilities</b>		
Trade and other payable	75,013,018	34,609,256
<b>Operating Cash Flows</b>	250,804,448	(4,227,708)
Finance cost paid	(54,078)	(12,391,108)
Tax paid	(17,630,155)	(9,206,509)
<b>Net Cash used in operating activities</b>	233,120,215	(25,825,325)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net sale / (purchase) of investments	(95,534,604)	(182,450,929)
Purchase of property & equipment	(25,842,021)	(1,070,700)
Long term deposit	(709,105)	(204,300)
<b>Net cash (used in) / generated from investing activities</b>	(122,085,730)	(183,725,929)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term finance	(86,336)	-
<b>Net cash used in financing activities</b>	(86,336)	-
<b>Net cash flow during the year</b>	110,948,149	(209,551,254)
<b>Cash &amp; cash equivalents at the beginning of the year</b>	(253,487,399)	(43,936,145)
<b>Cash &amp; cash equivalents at the end of the year</b>	(142,539,250)	(253,487,399)
<b>Cash and cash equivalent at the end of the year comprises of the following:</b>		
Cash and bank balances	49,239,048	22,394,711
Short term borrowings	(191,778,298)	(275,882,110)
	(142,539,250)	(253,487,399)

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

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**



**INTERMARKET SECURITIES LIMITED**  
**NOTES FORMING PART OF THE ACCOUNTS**  
**AS AT JUNE 30, 2015**

**1. STATUS AND ACTIVITIES**

Intermarket Securities Limited was incorporated under Companies ordinance, 1984 on 6th September 2002 as a private limited company. In the year 2010 the status of the Company changed to public un-quoted Company. The Company is corporate member of Karachi Stock Exchange Limited. The registered office of the company is Suite No. 309, Business & Finance Centre, I.I. Chundrigar Road, Karachi. The principal activity of the company is to carry on the business of share brokerage, underwriting, investment and portfolio management.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance, or the directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or of the said directives have been followed.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except for certain short term investments which are stated at fair value.

**2.3 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is company's functional and presentation currency.

**2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with approved financial reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, 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 judgments about the 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 estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Property, plant and equipment**

**Owned**

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset including borrowing costs.





Subsequent costs are included in the carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the year in which they are incurred.

Disposal of an item of property and equipment is recognised when significant risks and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating expenses/income' in the profit and loss account.

Depreciation is charged to profit and loss account using reducing balance method whereby the cost of the asset less its estimated residual value is written off over the estimated useful life at rates given in note 7. Depreciation on additions is charged from the quarter in which asset is available for use and on disposals upto the quarter preceding the quarter of disposal.

### **3.2 Intangible assets**

An intangible asset is recognised as an asset if it is probable that the economic benefits attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

#### **Trading Rights Entitlement (TRE) Certificate**

This is stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

#### **Computer software**

Expenditure incurred to acquire identifiable computer software and having probable economic benefits exceeding the cost beyond one year, is recognised as an intangible asset. Such expenditure includes the purchase cost of software (license fee) and related overhead cost.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

Costs which enhance or extend the performance of computer software beyond its original specification and useful life is recognised as capital improvement and added to the original cost of the software.

Computer software and license costs are stated at cost less accumulated amortization and any identified impairment loss and amortized over a period of four years using the straight line method.

Amortization is charged from the quarter in which the related asset is available for use while no amortization is charged for the quarter in which such asset is disposed off.

### **3.3 Impairment of non-financial assets**

Assets that are subject to depreciation/amortisation are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sale and value in use. Reversal of impairment loss is restricted to the original cost of the asset.





### 3.4 Financial assets

#### 3.4.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'trade deposits and other receivables' and 'cash and cash equivalents' in the balance sheet.

##### b) Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity.

##### c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in current assets as the management intends to dispose of the same within 12 months.

##### d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

##### e) Derivative


Derivative on Delivery Future Contract is measured at fair value and gain/(loss) recognized in profit/loss. Derivative is accounted in the books when initial investment is nil or much smaller than would be required for other types of contracts, value changes in response to change in underlying variable (stock price) and is settled at future date.

#### 3.4.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within income / expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of operating income when the Company's right to receive payments is established.

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as 'gains and losses from investment securities'.





Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account as part of other income. Dividends on available for sale equity instruments are recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

#### **3.4.3 Impairment of financial assets**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 3.6.

#### **3.5 Offsetting financial instruments**

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

#### **3.6 Trade debts and other receivables**

Trade debts and other receivables are recognised at fair value and subsequently measured at amortized cost. A provision for impairment in trade debts and other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

#### **3.7 Fiduciary assets**

Assets held in trust or in a fiduciary capacity by the company are not treated as assets of the Company and accordingly are not included in these financial statements.

#### **3.8 Cash and cash equivalents**

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

#### **3.9 Share capital**

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **3.10 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### **3.11 Trade and other payables**

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

#### **3.12 Taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

##### **Current**

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable is



respect of previous years.

#### **Deferred**

Deferred tax is recognised using balance sheet liability method, providing for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **3.13 Provisions**

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

#### **3.14 Financial instruments**

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instruments. Any gain or loss on the recognition and derecognizing of the financial assets and liabilities is taken to profit and loss account currently.

#### **3.15 Foreign currency transactions and translation**

Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into functional currency using the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

#### **3.16 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognised on the following basis:

- Brokerage, consultancy and advisory fee, commission etc. are recognised as and when such services are provided.
- Income from bank deposits is recognised at effective yield on time proportion basis.
- Dividend income is recorded when the right to receive the dividend is established.
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Unrealized capital gains / (losses) arising from mark to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in profit and loss account for the period in which they arise.
- Rental income from investment properties is recognised on accrual basis.

#### **3.17 Borrowing costs**

Borrowing costs are recognised as an expense in the year in which they are incurred except where such costs are directly attributable to the acquisition or construction of qualifying asset in which such costs are capitalized as part of the cost of that asset. Borrowing costs includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.





## PROPERTY PLANT AND EQUIPMENT

PERIOD	Vehicles						Leasehold	Total
	Furniture & fixture	Office equipments	Owned	Musharika (refer note 4.1)	Computer	Office premises	Improvement (refer note 4.2)	
	Rupees							
<b>Year ended June 30, 2014</b>								
Opening net book value	183,748	1,435,455	336,010	-	373,261	4,624,208	-	6,952,682
Additions during the year	-	-	-	-	-	1,070,700	-	1,070,700
Depreciation for the year	(18,375)	(143,546)	(67,202)	-	(111,978)	(489,188)	-	(830,289)
Closing net book value	165,373	1,291,909	268,808	-	261,283	5,205,720	-	7,193,093
<b>As at June 30, 2014</b>								
Cost	507,344	2,875,183	1,295,890	-	3,713,974	10,234,440	-	18,626,831
Accumulated depreciation	(341,971)	(1,583,274)	(1,027,082)	-	(3,452,691)	(5,028,720)	-	(11,433,738)
Net book value	165,373	1,291,909	268,808	-	261,283	5,205,720	-	7,193,093
<b>Year ended June 30, 2015</b>								
Opening net book value	165,373	1,291,909	268,808	-	261,283	5,205,720	-	7,193,093
Additions during the year	3,021,670	1,408,630	1,714,140	6,617,562	3,865,019	-	9,215,000	25,842,021
Depreciation for the year	(97,435)	(166,357)	(225,032)	(330,878)	(709,959)	(520,572)	(767,840)	(2,818,073)
Closing net book value	3,089,608	2,534,182	1,757,916	6,286,684	3,416,343	4,685,148	8,447,160	30,217,041
Rate of depreciation	10%	10%	20%	20%	30%	10%	33%	

4.1 Operating Assets including Motor Vehicle bought under diminishing musharika agreement from Dubai Islamic Bank. Pursuant to clause 6.1 of Purchase Undertaking Agreement, Motor Vehicle will unconditionally and irrevocably be purchased by the Company after the expiry of lease term and at the inception of the lease present value of the minimum lease payments amounts to substantially all of the fair value of leased vehicles.

4.2 This represents expenditure incurred on the rental office at Bahria Building. The office space has been rented out for a period of 3 years to the Company. Expenditure amounting to Rs 9.215 million included Interior Finishing, piping works, flooring, electrical, data networking and illumination works. They have been capitalized since they meet recognition criteria of IAS 16..

4.3 The depreciation charge for the year has been allocated as follows:

	2015	2014
	Rupees	
<b>Administrative Expenses</b>	<b>2,818,073</b>	<b>830,289</b>
	<b>2015</b>	<b>2014</b>
	Rupees	

## 5 INTANGIBLE ASSETS

Membership card right and privileges - Dubai Gold Commodity Exchange Co.	5.1	10,333,996	10,333,996
Trading Rights Entitlement (TRE) Certificate	6	3,894,750	3,894,750
Offices at KSE		6,200,000	6,200,000
Software	5.2	3,140,576	47,595
		<b>23,569,322</b>	<b>20,476,341</b>

## 5.1 Dubai Gold Commodity Exchange Co.(DGCX)

This represents the membership card purchased from the funds of the Company but its in the name of director. An agreement was reached between the Company and Director under which economic benefits originating from the asset would only be attributable and are under control of the Company.



	2015	2014
	Rupees	
<b>5.2 Computer Software</b>		
Opening net book value	47,595	59,494
Additions	5.3 3,650,000	-
Amortisation charge	(557,019)	(11,899)
Disposal		
-cost	-	-
-accumulated amortisation	-	-
Closing Net Book Value	3,140,576	47,595
Amortisation rate	20%	20%

5.3 Addition relates to cost of purchase, installation and deployment of Software for purpose of trading in shares of Stock Exchange.

## 6 INVESTMENT-AVAILABLE FOR SALE

Investment in shares of Karachi Stock  
Exchange Limited

10,530,250 10,530,250

Pursuant to the promulgation of the Stock Exchanges (Corporatization, Demutualization and Integration) Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012 (ACT). The ownership in a stock exchange has been segregated from the right to trade on the exchange. Accordingly, the Company has received equity shares of Karachi Stock Exchange limited (KSEL) and a Trading Right Entitlement Certificate (TRECs) in lieu of its membership card of KSE.

According to the ACT, the TRE Certificate may only be transferred once to a company intending to carry out shares brokerage business in the manner to be prescribed. Upto December 31, 2019, a Stock Exchange shall offer for issuance of 15 TRE Certificate each year in the manner prescribed. After 2019, no restriction shall be placed on issuance of TRE Certificate.

- 40% of the total shares allotted (i.e. 1,602,953 shares) are transferred in the House Account - CDC of each initial shareholder;
- 60% of the total shares (i.e. 2,404,430 shares) have been deposited in a sub-account in Company's name under KSEL's participant ID with CDC which will remain blocked until they are divested to strategic investor(s), general public and financial institutions.

Right to receive distributions and sale proceed against 60% shares in the blocked account shall vest in the initial shareholder, provided that bonus and right shares (if any) shall be transferred to blocked account and disposed off with the blocked shares.

Right to vote against blocked shares shall be suspended till the time of sale. The shares of KSEL shall be listed within such time as the SECP may prescribe in consultation with the Board of Directors of KSEL.

The cost /book value of the KSE membership card amounts to Rs. 14.425 million as at June 30,2015. According to selected opinion issued by ICAP, that nature and value of the asset given up (membership card) is similar to the nature and value of the asset acquired (Shares and TREC). Therefore, exchange of assets will not result in any gain or loss. Further, it can be argued that derecognition of the membership card has not occurred because the rights of the cardholder were not lost at any point during the exchange. The Committee also referred to paragraph 45 of IAS 38, which interalia states that when the fair value of neither the asset received nor the asset given up can be reliably measured, the cost of the asset received should be measured at the carrying amount of the asset given up, and no gain or loss shall arise on the exchange.

During the year KSEL, through a notice, instructed all TRE Certificate holders to maintain / comply with Base Minimum Capital (BMC) requirement under Regulations Governing Risk Management of KSEL ("the Regulations") in the form calculated in the schedule – 1 to the above Regulations. Total BMC requirement determined by the Board of Directors of KSEL in their meeting was Rs. 31.174 million for each individual TRE certificate holder. Accordingly, the Company has complied with the above requirement in the following manner:

- Creating mortgage or charge over TRE Certificate amounting to Rs. 15 million being notional value assigned / decided by KSEL.
- Pledging / Lien marked over 40% shares (No. of shares: 1,602,953) of KSEL amounting to Rs. 15.982 million.



7

**LONG TERM DEPOSITS**

		2015	2014
		Rupees	
Karachi Stock Exchange Ltd	7.1	350,000	350,000
National Clearing Company of Pakistan Ltd.	7.2	300,000	300,000
Central Depository Company of Pakistan		100,000	100,000
Future trading deposits		500,000	500,000
Advance for Plot & Offices	7.3	6,903,077	6,903,077
Other deposits		661,900	636,900
Rental Office Security Deposit	7.4	684,105	-
		<u>9,499,082</u>	<u>8,789,977</u>

7.1 Amount deposited as Basic deposit for exposure in Ready Market, Future DFC and Future trading in provisionally listed Company.

7.2 Amount deposited as Basic deposit to National Clearing Company under Margin trading System.

7.3 This includes Advance paid for purchase of plot in Hawkes Bay. Plot was purchased for recreational activity of employees. Title of the property will be transferred to the Company after outstanding principle is paid. The entity will capitalize when it has paid the remainder of principle and is thus able to exercise legal enforceable right.

7.4 Security Deposit was paid in advance upon signing of lease agreement with Bahria Foundation for lease of office space as mentioned in note 4.2. The deposit was paid in advance upon signing of the lease agreement and will be payable to the Company 3 months after the vacation of the premises.

8

**LONG TERM INVESTMENT**

	2015	2014
	Rupees	
Investment in unquoted security at cost	<u>36,000,000</u>	<u>36,000,000</u>

Shares of National Asset Management Company (NAMCO) were acquired when the collateral relating to Short Term Loan amounting to Rs 36 million was realized in the form of shares of this NBFC. Shares were held in Director and not in Company's name in accordance to NBFC Rules 2003. An agreement exist between Director and the Company under which the proceeds from sale of Investment including gain/(loss) would be rendered back to Company. Shares are blocked but arrangement would be made for conversion into marketable lot and disposal in accordance to NBFC Rules 2003 as soon as economic condition of NBFC improves.

9

**SHORT TERM INVESTMENTS**

	2015	2014
	Rupees	
Investments - at fair value through profit & loss	<u>650,713,841</u>	<u>221,855,539</u>





**9.1 Financial Assets at fair value through profit or loss-Held for trading**

		2015	2014
		Rupees	
Investment in quoted equity securities	9.2 & 9.3	340,653,316	221,855,539
Investment in Pre-IPO placements	9.4	310,060,525	-
		<u>650,713,841</u>	<u>221,855,539</u>
9.2 Investment in Pakistan Refinery Limited	9.3	103,425,446	-
Investment in other quoted equity instruments		<u>237,227,870</u>	<u>221,855,539</u>
		<u>340,653,316</u>	<u>221,855,539</u>

**9.3** Investment in quoted securities includes Rs 1.697 million shares of Pakistan Refinery Limited which were unsubscribed portion of rights issue underwritten and later subscribed in accordance to Underwriting agreement signed between the Company and PRL. Pursuant to the agreement, the Company subscribed Right Issue of Class A shares (aggregating Rs 1.7 million shares) on 16 June 2015, which was last date of acceptance/payment/renunciation of Right Allotment Letters. Fair value of financial asset is based upon listed price prevailing at year end since end of Book Closure date to determine entitlement of letter of right occurred prior to end of financial year.

**9.4** This represents Investment in 3.26 million shares in Al-Shaheer Corporation Ltd .The Book Building was completed on June 11,2015 at strike price of Rs 95 per share. Shares were subscribed in IPO and subsequent to year end, quoted on Stock Exchange. Hence, fair value is consistent with observable market data, acceptable economic methodologies and incorporates all factors that market participants would consider in pricing financial instruments.

**9.5 Gain/(loss) on remeasurement of Investment at fair value through profit/loss**

	2015	2014
	Rupees	
Market Value of shares of Investment	650,713,841	221,855,539
Less:Cost of shares investment	<u>192,382,696</u>	<u>142,064,803</u>
	<u>458,331,145</u>	<u>79,790,736</u>
<b>Unrealized gain/(loss) on the remeasurement of Investment carried at fair value through profit or loss-held for trading</b>		
Cost of share of Investment	192,382,696	142,064,803
Un realized gain/(loss) at the beginning of the year	<u>79,790,736</u>	<u>59,597,673</u>
Net unrealized gain/(loss) in the value of Investment during the year	<u>378,540,409</u>	<u>20,193,063</u>
	<u>458,331,145</u>	<u>79,790,736</u>
	<u>650,713,841</u>	<u>221,855,539</u>

**10 TRADE DEBTS**

Considered good and unsecured	<u>224,810,631</u>	<u>277,577,602</u>
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	2015	2014
	Rupees	
<b>11 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Exposure deposits - KSE	20,430,876	10,000,000
Advance to staff	3,774,500	4,076,479
Advance against IPO	-	14,055,930
Receivable from underwriting	1,437,500	-
Others	359,085	2,526,149
Advance Rent	1,835,682	-
Lease deposits	1,329,295	-
	<u>29,166,938</u>	<u>30,658,558</u>

<b>12 Advance tax</b>		
Opening balance	969,185	980,075
Prior year tax	(273,940)	-
Provision for taxation	(10,993,050)	(7,698,221)
Less: Advance Tax paid	16,934,910	7,687,331
Tax Refundable due	<u>6,637,105</u>	<u>969,185</u>

**13 SHORT TERM LOAN**

This represents balance amount due from an ex-client on account of interest free loan, The amount is outstanding since the year 2008 and is secured against collateral of shares of First National Equity Limited (2,100,000 shares) and a commercial plot in Peshawar having market value of Rs.52 Million. The company is intended to dispose off the collaterals held in next twelve month and in process of completion of legal formalities in this respect.

	2015	2014
	Rupees	
<b>14 CASH AND BANK BALANCES</b>		
Cash at bank		
- current account	344,797	258,838
- saving account	48,894,250	22,135,873
	<u>49,239,048</u>	<u>22,394,711</u>

**15 SHARE CAPITAL**

**Authorized share capital**

100,000,000 (2014: 100,000,000) ordinary shares of Rs. 10 each.

1,000,000,000 1,000,000,000

**Issued, subscribed and paid up capital**

20,055,956 (2014: 20,055,956) ordinary shares of Rs. 10/- each

200,559,560 200,559,560

200,559,560 200,559,560

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## Liability against asset subject to Shairkat ul melk cum Ijarah Finance")

Description	Markup Rate	Repayment Period	Detail of restrictions	2015 Rs	2014 Rs
Financing under Ijarah facility	12 month KIBOR +1.75% per annum on outstanding Fixed Rent	Refer note 16.2,16.3 & 16.4		4,737,264	-
Less: current maturity				(793,908)	-
Long term Loan as at June 30,2015				<u>3,943,356</u>	<u>-</u>

## 16.1 Repayment Schedule of Principle

Obtained during the year	4,823,600
Principle Repayment (Fixed Rentals) during the year	(86,336)
Outstanding Fixed Rentals (Principle)	<u>4,737,264</u>
Current maturity	<u>(793,908)</u>
	<u>3,943,356</u>

## 16.2 Reconciliation of Minimum Payments under Shairkat cum Melk Ijarah and their present value is given below:

	Present value of Shairkat ul Melk cum Ijarah finance repayment	Shairkat ul Melk cum Ijarah finance payment allocated to future period	Minimum Shairkat ul Melk cum Ijarah Payment
Not later than one year	793,908	405,667	1,199,575
Later than one year but not later than 5year	3,943,356	744,409	4,687,765
Total	<u>4,737,264</u>	<u>1,150,076</u>	<u>5,887,340</u>

16.3 The company leased 4 Motor Vehicles from Lessor Dubai Islamic Bank under which 80% of the Purchase price was borne by Lessor and the remainder borne by the Company. The Lessor would remain owner of 80% undivided share in asset until all fixed and variable rentals are paid and Lessee exercises its unconditional and irrevocable right of Purchasing the asset after the expiry of five Lease periods, each lease period consisting of 12 months. Lease period commences on the calender day immediately following a Rental Payment Date and ending on the next Rental Payment date.

16.4 The principal and the finance cost is secured by personal guarantee of all directors along with personal net worth settlement, postdated cheques for 6 months, 20% of equity participation by customer and 80% ownership Title to Leased Vehicles.

16.5 The Lessor shall take out an insurance policy and will be entitled to Insurance proceeds in proportion to Fixed and Variable Rental outstanding at the date of occurrence of loss.



- 16.6 Rental payment are made each month consisting of outstanding Fixed and Variable Rent. Outstanding Fixed Rental represent original principle, i.e 80% of purchase cost of leased vehicles less aggregate of Principle repayment and Variable Rental is equal to 12 month KIBOR +1.75% calculated on Outstanding Fixed Rent on 360 days basis.

17 **Deferred Taxation**

	2015	2014
	Rupees	
<b>Deferred Tax balance arising on the following</b>		
Deferred tax liability arising in respect of		
- Accelerated tax depreciation	3,017,607	
- Investment at fair value through profit & loss	57,291,418	
Deferred tax asset arising in respect of		
Long term finance	(1,261,874)	
Current maturity of long term finance	(254,051)	
Excess of Alternative Corporate tax carried forward	(1,263,038)	
	<u>57,530,062</u>	

The Management revised its expectation in view of current year profits and projected future taxable profits and sufficient taxable temporary difference would exist for recording deferred tax from this year on.

	2015	2014
	Rupees	
<b>18 SHORT TERM BORROWINGS - SECURED</b>		
NIB Bank Ltd	123,888,835	123,718,032
Summit Bank Ltd	67,889,463	152,164,078
	<u>191,778,298</u>	<u>275,882,110</u>

Running Finance facility obtained from NIB Bank amounting to Rs 200 million. Markup computed on basis of average KIBOR prevailing over last seven days plus 250 basis points with no floor. Facility provided against 50% margin listed on Stock Exchange.

Running Finance facility obtained from Summit Bank ranging from Rs 300 million to Rs 500 million against pledge of readily marketable securities and personal guarantee of directors. Markup is computed on basis of 3 month KIBOR + 200 bps for balance amounting to Rs 150 million and 3 Month KIBOR +300 bps is applied on balance in excess of Rs 150 million.

	2015	2014
	Rupees	
<b>19 TRADE AND OTHER PAYABLES</b>		
Creditors	154,637,185	91,800,127
WWF payable	9,254,279	-
Other Liabilities	6,412,766	3,491,085
	<u>170,304,230</u>	<u>95,291,212</u>

20 **ACCRUED MARKUP**

Short term borrowings	4,655,106	7,742,843
Shaikat cum Mulk Ijara	5,663	
	<u>4,660,769</u>	<u>7,742,843</u>

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## 21 CONTINGENCIES AND COMMITMENTS

No contingencies and commitments are existing as at June 30, 2015.

22	OPERATING REVENUE		2015	2014
			Rupees	
	Commission income		93,607,705	61,290,250
	Dividend income		5,739,304	9,786,492
	Underwriting & Financial Advisory Services	22.1	8,500,000	-
			<u>107,847,009</u>	<u>71,076,742</u>

22.1 Underwriting & financial advisory services includes underwriting unsubscribed portion of rights issue of a quoted Company ( detail mentioned in note 9.3).

## 23 DERIVATIVE

Gain on Delivery Future Contracts (DFC) amounting to Rs 819,805 resulted from net unrealized gain as at June 30,2015 in overall scrips quoted in KSEL.

24	ADMINISTRATIVE EXPENSES		2015	2014
			Rupees	
	Salaries, benefits and allowances	24.1	20,436,181	7,029,610
	Director and Chief Executive Remuneration		4,453,000	3,000,000
	KSE rent, electricity and service charges		1,307,805	2,555,106
	CDC and NCCPL Charges.		4,543,250	905,349
	Printing and stationery		331,042	654,099
	Fees and subscription		3,807,961	1,802,105
	Communication expenses		4,135,442	3,965,978
	Audit Fees		400,000	400,000
	Rent, rates and taxes		2,142,338	504,859
	Entertainment expense		1,738,081	2,474,934
	Utility expense		2,002,686	2,135,928
	Repair and maintenance		1,262,784	3,728,253
	Traveling and conveyance expenses		759,452	531,760
	Postage and courier		68,336	97,261
	Depreciation	4	2,818,073	830,289
	Amortization	5.2	557,019	11,899
	Misc Expense		116,079	-
			<u>50,879,529</u>	<u>30,627,430</u>

### 24.1 Directors' Remuneration

	Chief Executive		Director		Total	
	2015	2014	2015	2014	2015	2014
	Rupees					
	1,109,895	399,996	1,787,500	1,560,000	2,897,395	1,959,996
Basic salary	300,124	159,996	687,500	600,000	987,624	759,996
House allowance	292,981	40,008	275,000	240,000	567,981	280,008
Utility allowance	1,703,000	600,000	2,750,000	2,400,000	4,453,000	3,000,000
	1	1	2	1		

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		2015	2014
		Rupees	
25	<b>FINANCE COST</b>		
	Mark up on short term borrowing & bank charges	24.1 34,743,539	17,874,768
	Mark up on long term finance	24.2 59,741	-
		<u>34,803,280</u>	<u>17,874,768</u>

25.1 This represent markup on short term borrowings as specified in note 18

25.2 Markup on long term finance relates to variable rental charged by Lessor on outstanding principal(outstanding Fixed Rent) @ 12 month KIBOR +1.75%.

		2015	2014
		Rupees	
26	<b>TAXATION</b>		
	<b>Current</b>		
	- For the year	25.1 10,993,050	7,698,221
	-Prior year tax	273,940	-
		<u>11,266,990</u>	<u>7,698,221</u>
	<b>Deferred tax</b>		
	-Temporary difference	57,530,063	-
		<u>68,797,053</u>	<u>7,698,221</u>

Rate of 12.5 % has been applied on temporary difference existing on Investment at fair value through profit & loss for recording deferred tax (Capital gain tax as per section 37 A of IT Ordinance) where as 32%(rate for TY 2016) has been applied on other temporary differences.

		2015	2014
		Rupees	
26.1			
	Alternative Corporate tax	2,792,232	5,435,522
	Tax on Capital gain	7,626,888	1,284,050
	Final tax on Dividend	573,930	978,649
		<u>10,993,050</u>	<u>7,698,221</u>

26.2 Tax expense reconciliation with accounting profit is as follows:

	Accounting profit before tax	453,459,682	54,656,623
	Less: Capital gain on Investment in shares	(61,190,267)	(13,386,414)
	Less: Dividend Income	(5,739,304)	
		<u>386,530,111</u>	<u>41,270,209</u>
	Tax at domestic rate 33%(tax year 2014:34%)	127,554,937	14,031,871
	Temporary difference on which different rate is applied	(57,291,418)	
	Excessive Alternative Corporate tax carried forward	(1,263,038)	
	Capital gain tax as per section 37 A of ITO	7,626,820	1,284,050
	Tax effect of expense that are not deductible for tax purpose	(8,404,178)	(8,596,349)
	Final Tax on Dividend	573,930	978,649
		<u>68,797,053</u>	<u>7,698,221</u>

## 27 Transaction with related Parties.

### Outstanding Balances :

Director Loan-Azneem Bilwani	34,000,000	34,000,000
Advance to employees	3,774,500	4,076,479

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**28.1 Financial Risk Factors**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest/mark-up rate risk and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous periods in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

**a) Market Risk**

Market risk means that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, equity prices and interest rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company's market risk comprises of two types of risk: foreign exchange or currency risk and interest/markup rate risk. The market risks associated with the Company's business activities are discussed as under:

**i) Currency risk**

Foreign currency risk arises mainly where receivables and payables exist due to transaction in foreign currency. Currently, the Company is not exposed to currency risk since there are no foreign currency transactions and balances at the reporting date.

**ii) Price risk**

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up 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 or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 650.7 million (2014: Rs. 221.8 million) at the reporting date. The Company manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

The Company's portfolio of short term investments is broadly diversified so as to mitigate the significant risk of decline in prices of securities in particular sector of the market.



Details of the industrial sector analysis of the short term investments are as follows:

	30 June 2015	
	(Rupees)	%
Leasing Companies	491	0.008%
Oil & Gas Marketing Companies	4,186,589	0.643%
Oil & Gas Exploration Companies	1,369,868	0.211%
Engineering	75,138	0.012%
Chemical	2,250,735	0.346%
Fertilizer	15,461,603	2.376%
Inv. Banks / Inv. Cos. / Securities Cos.	3,308,911	0.509%
Sugar & Allied Industries	51,000	0.008%
Real Estate Investment Trust	1,204,095	2.513%
Transport	16,355,478	2.513%
Closed-End Mutual Fund	263,713	0.041%
Cable and Electrical goods	20,685,000	3.179%
Food & Personal care products	313,974,063	48.251%
Glass and Ceramics	1,530,116	0.235%
Textile Composite	2,265,617	0.348%
Pharmaceutical	2,152,373	0.331%
Woolen	508,900	0.078%
Modaraba	577,731	0.089%
Technology & Communication	75,535,489	11.608%
Synthetic and Rayon	95,824	0.015%
Power Generation & Distribution	19,743	0.003%
Insurance	1,757,471	0.270%
Paper & Board	2,998,479	0.461%
Petroleum	3,481,104	0.535%
Refinery	124,108,564	19.073%
Commercial Bank	35,784,500	5.499%
Sugar & Allied Industries	312,162	0.046%
Cement	20,399,084	3.135%
	<b>650,713,841</b>	<b>100%</b>

#### Sensitivity analysis

For the purpose of price risk sensitivity analysis it is observed that the benchmark KSE 100 Index has increased by 16% (2014: 41.16%) during the financial year.

The table below summarizes Company's equity price risk as of 30 June 2015 and 2014 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Company's equity investment portfolio.

		Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase (decrease) in shareholders' equity	Hypothetical increase (decrease) in profit / (loss) after tax
June 30, 2015	Rupees	650,713,841	10% increase	715,785,225	65,071,384	65,071,384
June 30, 2014	Rupees	221,855,539	10% increase	244,041,093	22,185,554	22,185,554

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### iii) Interest rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing arrangements has variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes.

Financial assets and liabilities include balances of Rs. 48.8 million (2014: Rs.22.1 million) and Rs. 191.7 million (2014: Rs. 275.8 million) respectively, which are subject to interest / markup rate risk. Applicable interest / mark-up rates for financial assets and liabilities have been indicated in respective notes.

	2015 Effective interest rate (%)	2014 Effective interest rate (%)	2015 Carrying amounts (Rs.)	2014 Carrying amounts (Rs.)
<b>Financial assets</b>				
Bank deposits - <i>pls account</i>	6% to 10%	6.5% to 10%	48,894,250	22,135,873
<b>Financial liabilities</b>				
Short term borrowings	10% to 12%	10% to 12.17%	191,778,298	275,882,110

### Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not effect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments it is observed that interest / mark-up rate in terms of KIBOR has decrease by 307 bps during the year.


The following information summarizes the estimated effects of hypothetical increases and decreases in interest rates on cash flows from financial assets and financial liabilities that are subject to interest rate risk. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. The hypothetical changes in market rates do not reflect what could be deemed best or worst case scenarios. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

### b) 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, possibility of default by investors, and or failure of the financial markets, depositors, settlements or clearing system etc.

### Exposure to credit risk

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, short term loans, deposits, proceed receivable and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery. The Company's management, as part of risk management policies and guidelines, reviews clients' financial position, considers past experience and other factors, and obtains necessary collaterals to reduce credit risks. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.





The Company's policy is to enter into financial contracts in accordance with the internal risk management policies, investment and operational guidelines approved by the Board of Directors. In addition, credit risk is also minimized due to the fact that the Company invests only in high quality financial assets, majority of which have been rated by a reputable rating agency. The Company does not expect to incur material credit losses on its financial assets.

The carrying amount of financial assets represent the maximum credit exposure at the reporting date, which are detailed hereunder as follows:

	2015	2014
	Rupees	
Long term deposits	9,499,082	8,789,977
Trade debts	224,810,631	277,577,602
Advances, Trade deposits and other receivables	29,166,938	31,627,743
Cash and bank balances	49,239,048	22,394,711
	<u>312,715,699</u>	<u>340,390,033</u>

Due to the company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company. Accordingly, the credit risk is minimal.

The Company holds equity securities having fair value of Rs. 691.5 million owned by its clients, as collaterals against trade debts.

	2015		2014	
	Gross	Impairment	Gross	Impairment
Not past due	200,291,587	-	113,029,906	-
Overdue for more than 14 days	24,519,044	-	164,547,696	-
	<u>224,810,631</u>		<u>277,577,602</u>	

Rupees

#### c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

On the reporting date, the Company had cash and bank balance of Rs 49.23 million (2014:Rs. 22.394 million ) as disclosed in Note 14.

The Company had interest bearing liability of Rs 196.51 million (2014: 275.882 million) outstanding at the reporting date.

#### 28.2 Fair value estimate

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the company are the current bid prices.

The carrying value less impairment provision (if any) of trade receivables and other receivables, and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.



The classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. This classification uses the following three-level hierarchy:

- Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 — inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The company held the following financial instrument measurement at fair value :

June 30, 2015	Level 1	Level 2	Level 3	Total
	----- Amount in Rupees -----			
<b>Financial assets</b>				
-Held for trading Financial Assets	340,653,316	310,060,525	-	650,713,841
-Derivative	819,085			819,085
<b>TOTAL</b>	<b>341,472,401</b>			<b>651,532,926</b>

June 30, 2014	Level 1	Level 2	Level 3	Total
	----- Amount in Rupees -----			
<b>Financial assets</b>				
-Held for trading Financial Assets	221,855,539	-	-	221,855,539

## 28.3 Financial instruments by category

Amounts in Rupees				
As at June 30, 2015	Available for Sale financial assets	Held for Trading financial assets	Loans and receivables	Cash and bank
Financial assets as per balance sheet				Total
Long term deposits	-	-	9,499,082	-
Long term investments	10,530,250	-	-	-
Short term Investment	-	650,713,841	-	-
Trade debts	-	-	224,810,631	-
Cash and bank balances	-	-	-	49,239,048
Derivative	-	819,085	-	-
	10,530,250	651,532,926	234,309,713	49,239,048
				945,611,937

As at June 30, 2015	Financial liabilities at amortized cost
Financial liabilities as per balance sheet	
Long term Finance, Current maturity, Trade creditors, accrued expenses and other liabilities	213,702,263
	213,702,263

Amounts in Rupees				
As at June 30, 2014	Available for Sale financial assets	Held for Trading financial assets	Loans and receivables	Cash and bank
Financial assets as per balance sheet				Total
Long term deposits	-	-	8,789,977	-
Long term investments	10,530,250	-	-	-
Short term Investment	-	221,855,539	-	-
Trade debts	-	-	277,577,602	-
Cash and bank balances	-	-	-	22,394,711
	10,530,250	221,855,539	286,367,579	22,394,711
				541,148,079

As at June 30, 2014	Financial liabilities at amortized cost
Financial liabilities as per balance sheet	
Long term Finance, Trade creditors, accrued expenses and other liabilities	137,034,055
	137,034,055



**CAPITAL RISK MANAGEMENT**

The Board's policy of capital risk management is to maintain a strong capital base, ratios and credit rating so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes in Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

**30 Corresponding figures**

The comparative figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison in the financial statements.

**31 NUMBER OF EMPLOYEES**

	2015	2014
Number of persons	46	15
Average Number of persons	23	15

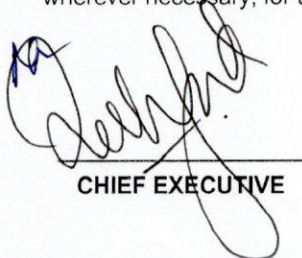
**32 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors and authorized for issue on

12 8 SEP 2015

**33 GENERAL**

Figures have been rounded off to the nearest rupee and corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison.

  
CHIEF EXECUTIVE

  
DIRECTOR