AUDITED FINANCIAL STATEMENTS
OF
INTERMARKET SECURITIES LIMITED

FOR THE YEAR ENDED
JUNE 30, 2013

INTERMARKET
SECURITIES LTD.
ISL Registered Broker: Securities & Exchange Commission of Pakistan.
TREC Holder. The Karachi Stock Exchange Limited

DIRECTORS' REPORT TO THE MEMBERS

Dear Shareholders

On behalf of the Board of Directors the undersigned takes pleasure to present before you the Financial Statements for the financial year ended June 30, 2013 along with Auditor's Report thereon. The Board has considered and approved the Company's audited financial results. During the year under review, operating revenue stood at Rs. 44,987,967/- as compared to Rs.20,753,147/- in 2012.

Market Review:

During the year under review, the Karachi Stock Exchange for the most of the year performed well as the KSE100 index rose to all time high of 23,500 levels. The Company has earned a net profit of Rs. 72,424,817/ as compared to profit of Rs. 38,256,044/- in 2012. The profit increased due to capital gain on investments.

Future Outlook:

The revenues of the Company are linked to the performance of KSE and other macroeconomic condition of the country. The market achieved a new high of 23,500/- during the year. The coming year 2013-14, the management believes will be one of consolidation of the marked and index. Looking ahead the management believes that the volumes will remain dull as individuals / retail participation is low, this may impact the revenues of the Company. Possible adverse risk to our estimates include ongoing energy crises / gas shortfall and rising interest rate and high inflation), this may also affect the market.

Auditors:

The retiring auditors M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, retire and being eligible have offered themselves for reappointment for the financial year ended June 30, 2014, subject to approval by the members in the forthcoming annual general meeting.

Pattern of Share Holdings:

Pattern of shareholding is attached to the report.

Acknowledgement

We are grateful to the Company's Clients for their continuing confidence and patronage. We acknowledge and appreciate the hard work put in by the employees of the Company.

For and on behalf of the Board

Dated: October 7, 2013

Muhammad Jawed
Chief Executive

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309, Business & Finance Center,
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Russell Bedford

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Intermarket Securities Limited** as at **June 30, 2013** and the related profit & loss account, comprehensive income, cash flow statement and statement of changes in equity 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 standard 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 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 account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investment 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, cash flow statement and statement of changes in equity 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, 2013, and of the Profit, its comprehensive income, its cash flows statement and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi
Dated: 07 OCT 2013

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS
MUHAMMAD RAFIQ DOSANI

INTERMARKET SECURITIES LIMITED
BALANCE SHEET
AS AT JUNE 30, 2013

	Note	2013	2012
		Rupees	
NON CURRENT ASSETS			
Property and equipment	4	**6,952,682**	7,890,367
Intangible assets	5	**20,488,240**	31,033,364
Investment-Available for sale	6	**10,530,250**	-
Long term deposits	7	**8,585,677**	8,585,677
Long term investment	8	**36,000,000**	36,000,000
CURRENT ASSETS			
Investment- at fair value through profit and loss	9	**59,597,673**	84,721,300
Trade debts	10	**151,129,315**	138,849,231
Advances, deposits, prepayments and other receivables	11	**24,164,136**	7,522,403
Short term loan	12	**64,000,000**	64,000,000
Cash and bank balances	13	**13,418,800**	945,653
		312,309,924	296,038,587
		394,866,773	379,547,995
CAPITAL AND LIABILITIES			
Share capital	14	**200,559,560**	200,559,560
Accumulated profit / (losses)		**40,011,129**	(32,413,688)
		240,570,689	168,145,872
NON CURRENT LIABILITIES			
Long term finance - secured	15	**-**	3,271,067
Directors' loan		**34,000,000**	-
CURRENT LIABILITIES			
Short term borrowings - secured	16	**57,354,945**	40,493,199
Current portion of long term finance		**-**	33,764,388
Trade and other payables	17	**60,681,956**	130,317,970
Accrued markup	18	**2,259,183**	3,555,499
		120,296,084	208,131,056
Contingencies and commitment	19	-	-
		394,866,773	379,547,995

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

CHIEF EXECUTIVE

DIRECTOR

INTERMARKET SECURITIES LIMITED
PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	NOTE	2013	2012
		Rupees	
Operating revenue	20	**44,987,967**	20,753,147
Capital gain on investment - net		**101,849,496**	51,393,435
(Loss) / gain on revaluation of investments		**(17,524,426)**	7,959,501
		129,313,037	80,106,083
OPERATING EXPENSES			
Administrative expenses	21	**24,483,501**	19,639,654
Finance costs	22	**15,909,542**	18,034,859
		40,393,043	37,674,513
Workers welfare fund		**2,007,671**	-
Profit before taxation		**86,912,323**	42,431,570
Taxation			
Current		**13,535,803**	4,175,526
Prior year		**951,703**	-
		14,487,506	4,175,526
Profit for the year		**72,424,817**	38,256,044

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

CHIEF EXECUTIVE

DIRECTOR

INTERMARKET SECURITIES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013	2012
		Rupees	
Profit after taxation		**72,424,817**	38,256,044
Other comprehensive income		**-**	-
Total comprehensive income for the year		**72,424,817**	38,256,044

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

CHIEF EXECUTIVE

DIRECTOR

INTERMARKET SECURITIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	Share Capital	Accumulated Losses	Total Equity
	Rupees		
Balance as at July 01, 2011	200,559,560	(70,669,732)	129,889,828
Comprehensive income for the year	-	38,256,044	38,256,044
Balance as at June 30, 2012	**200,559,560**	**(32,413,688)**	**168,145,872**
Balance as at July 01, 2012	**200,559,560**	**(32,413,688)**	**168,145,872**
Comprehensive income for the year	-	**72,424,817**	**72,424,817**
Balance as at June 30, 2013	**200,559,560**	**40,011,129**	**240,570,689**

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, 2013

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES	Rupees	
Profit before taxation	**86,912,323**	42,431,570
Adjustments for:		
Depreciation	**937,685**	1,104,322
Amortization	**14,874**	18,592
Loss / (gain) on revaluation of investments	**17,524,426**	(7,959,501)
Provision for WWF	**2,007,671**	-
Finance cost	**15,909,542**	18,034,859
	36,394,198	11,198,272
Changes in working capital items	**123,306,521**	53,629,842
(Increase) /Decrease in Current assets		
Trade debts	**(12,280,084)**	(9,596,282)
Advances, deposits, prepayments and other receivables	**(19,623,111)**	(576,597)
	(31,903,195)	(10,172,879)
(Increase) /Decrease in Current liabilities		
Trade and other payable	**(71,641,949)**	35,961,734
Operating Cash Flows	**19,761,377**	79,418,697
Finance cost paid	**(17,205,858)**	(15,608,197)
Tax paid	**(13,718,508)**	(2,929,514)
Net Cash (used) / generated from operating activities	**(11,162,989)**	60,880,986
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale / (purchase) of investments	**9,809,845**	(34,170,275)
Long term deposit	-	(207,600)
Purchase of intangible asset	-	-
Long term investment	-	-
Net cash (used in) / generated from investing activities	**9,809,845**	(34,377,875)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net reciept of loan from director	**34,000,000**	-
Repayment of long term finance	**(37,035,455)**	(28,493,939)
Transfer of short term borrowings to long term finance	-	-
Net cash used from financing activities	**(3,035,455)**	(28,493,939)
Net cash flow during the year	**(4,388,599)**	(1,990,828)
Cash & cash equivalents at the beginning of the year	**(39,547,546)**	(37,556,718)
Cash & cash equivalents at the end of the year	**(43,936,145)**	(39,547,546)
Cash and cash equivalent at the end of the year comprises of the following:		
Cash and bank balances	**13,418,800**	945,653
Short term borrowings	**(57,354,945)**	(40,493,199)
	(43,936,145)	(39,547,546)

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, 2013

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 is changed as public un-quoted Company. The Company is corporate member of Karachi Stock Exchange (Guarantee) 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.

2.5 Recent accounting developments

2.5.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2013

Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	'Effective from accounting period beginning on or after July 01, 2012

2.5.2 New accounting standards and IFRS interpretations that are not yet

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures except for amendments in IAS 19.

Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	Effective from accounting period beginning on or after January 01, 2013
Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	Effective from accounting period beginning on or after January 01, 2013
Amendments to IAS 19 - Employee Benefits	Effective from accounting period beginning on or after January 01, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	Effective from accounting period beginning on or after January 01, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	Effective from accounting period beginning on or after January 01, 2014
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	Effective from accounting period beginning on or after January 01, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	Effective from accounting period beginning on or after January 01, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	Effective from accounting period beginning on or after January 01, 2013

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan.

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

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.

Membership cards and offices

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 managemetn intends to dispose off 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 in the short term. Assets in this category are classified as current assets.

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 in 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 borrwoing costs.

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4 PROPERTY PLANT AND EQUIPMENT

	Owned					Total
	Furniture & fixture	Office equipments	Vehicles	Computer	Office premises	
	Rupees					
As at June 30, 2011						
Cost	507,344	2,875,183	1,295,890	3,713,974	9,163,740	17,556,131
Accumulated depreciation	(280,494)	(1,103,017)	(770,873)	(2,952,217)	(3,454,841)	(8,561,442)
Net book value	226,850	1,772,166	525,017	761,757	5,708,899	8,994,689
Year ended June 30, 2012						
Opening net book value	226,850	1,772,166	525,017	761,757	5,708,899	8,994,689
Additions during the year	-	-	-	-	-	-
Depreciation for the year	(22,685)	(177,217)	(105,003)	(228,527)	(570,890)	(1,104,322)
Closing net book value	204,165	1,594,949	420,014	533,230	5,138,009	7,890,367
As at June 30, 2012						
Cost	507,344	2,875,183	1,295,890	3,713,974	9,163,740	17,556,131
Accumulated depreciation	(303,179)	(1,280,234)	(875,876)	(3,180,744)	(4,025,731)	(9,665,764)
Net book value	204,165	1,594,949	420,014	533,230	5,138,009	7,890,367
Year ended June 30, 2013						
Opening net book value	204,165	1,594,949	420,014	533,230	5,138,009	7,890,367
Additions during the year	-	-	-	-	-	-
Depreciation for the year	(20,417)	(159,495)	(84,003)	(159,969)	(513,801)	(937,685)
Closing net book value	183,748	1,435,454	336,011	373,261	4,624,208	6,952,682
As at June 30, 2013						
Cost	507,344	2,875,183	1,295,890	3,713,974	9,163,740	17,556,131
Accumulated depreciation	(323,596)	(1,439,729)	(959,879)	(3,340,713)	(4,539,532)	(10,603,449)
Net book value	183,748	1,435,454	336,011	373,261	4,624,208	6,952,682

5 INTANGIBLE ASSETS

		2013	2012
		Rupees	
Membership card right and privileges			
- Karachi Stock Exchange Ltd		-	14,425,000
- Dubai Gold Commodity Exchange Co.	5.1	**10,333,996**	10,333,996
Trading Rights Entitlement (TRE) Certificate	5.2	**3,894,750**	-
Offices at KSE		**6,200,000**	6,200,000
Software		**59,494**	74,368
		20,488,240	31,033,364

5.1 Dubai Gold Commodity Exchange Co.(DGCX)

This represents the membership card purchased from the funds of the Company but the same is in the name of the director. However an agreement has been reached into between the Company and the director whereby this card will be in the use of Company.

5.2 This represents cost of membership card of Stock Exchanges of Pakistan having indefinite useful life.

5.3 Software

	2013	2012
	Rupees	
Software	**74,368**	92,960
Less: 20% amortization	**(14,874)**	(18,592)
	59,494	74,368

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6 INVESTMENT-AVAILABLE FOR SALE	2013	2012
	Rupees	
Investment in shares of Karachi Stock Exchange Limited	10,530,250	-

Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Stock Exchanges (Corporatisation, 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.

1. 40% of the total shares allotted (i.e. 1,602,953 shares) are transferred in the House Account - CDC of each initial shareholder;

2. 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 30,2013. In the absence of an active market of the shares of KSE and TREC,As the fair value of both the asset transferred and asset obtained can not be determined with reasonable accuracy.The allocation of the carrying value of the membership card between the shares (financial asset) and TREC (an intangible asset) has been made by the Company on the basis of the face value of ordinary shares and the TREC value assigned by the KSE for minimum capital requirement (Refer Note) purposes applicable to the stock exchange brokers cunrently.

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 held on 10 December 2012 was Rs. 30.955 million for each individual TRE certificate holder. Accordingly, the Company has complied with the above requirement in the following manner:

1. Creating mortgage or charge over TRE Certificate amounting to Rs. 15 million being notional value assigned / decided by KSEL.

2. Pledging / Lien marked over 40% shares (No. of shares: 1,602,953) of KSEL amounting to Rs. 15.955 million.

		2013	2012
		Rupees	

7 LONG TERM DEPOSITS

		2013	2012
Karachi Stock Exchange (Guarantee) Ltd		**350,000**	350,000
National Clearing Company of Pakistan Ltd.		**300,000**	300,000
Central Depository Company of Pakistan		**100,000**	100,000
Future trading deposits		**500,000**	500,000
Advance for office and plot		**6,903,077**	6,903,077
Other deposits		**432,600**	432,600
		8,585,677	8,585,677

8 LONG TERM INVESTMENT

		2013	2012
Investment in unquoted security		**36,000,000**	36,000,000

9 SHORT TERM INVESTMENTS

		2013	2012
Investments- at fair value through profit & loss	9.1	**59,597,673**	84,721,300

9.1 Securities- at fair value through profit / loss

	2013	2012
Cost of shares investment	**62,106,825**	69,706,026
Changes due to fair market value		
Opening	**15,015,274**	7,055,773
During the year	**(17,524,426)**	7,959,501
	(2,509,152)	15,015,274
	59,597,673	84,721,300

10 TRADE DEBTS

Considered good and unsecured

11 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

		2013	2012
Advance tax	11.1	**980,075**	797,370
Exposure deposits - KSE		**21,641,561**	5,104,533
Advance to staff		**1,542,500**	1,620,500
Other receivable	11.2	**-**	-
		24,164,136	7,522,403

11.1 Advance tax

	2013	2012
Advance tax	**14,515,878**	4,972,896
Less:Provision for taxation	**(13,535,803)**	(4,175,526)
	980,075	797,370

12 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 colatterals held in next twelve month and in processs of completion of legal formalities in this respect.

	2013	2012
	Rupees	

13 **CASH AND BANK BALANCES**

Cash at bank		
- current account	**373,498**	906,00
- saving account	**13,045,302**	39,65(
	13,418,800	945,65:

14 **SHARE CAPITAL**

Authorized share capital

100,000,000 (2012: 100,000,000) ordinary shares of Rs. 10 each.	**1,000,000,000**	1,000,000,00(

Issued, subscribed and paid up capital

20,055,956 (2012: 6,326,800) ordinary shares of Rs. 10/- each fully paid in cash	**63,268,000**	63,268,00(
Nil (2012: 13,729,156) bonus shares issued of Rs 10/- each .	**137,291,560**	137,291,56(
	200,559,560	200,559,56(

15 **LONG TERM FINANCE - Secured**

Term finance	-	37,035,45E
Less: current portion	-	(33,764,38E
	-	3,271,067

16 **SHORT TERM BORROWINGS - SECURED**

The Company has obtained running finance facilities under mark-up arrangements of Rs. 57.3 million (2012: 40.49 million) from Summit Bank, having markup ranging from 3 months KIBOR (As side) + 200 bps with floor of 15% per annum (2012: 3 months KIBOR + 3%) on daily product basi payable quarterly.

	2013	2012
	Rupees	

17 **TRADE AND OTHER PAYABLE**

Creditors	**55,126,633**	123,847,17(
Other Liabilities	**5,555,323**	6,470,80(
	60,681,956	130,317,97(

18 **ACCRUED MARKUP**

Short term borrowings	**2,259,183**	3,555,49(

19 **CONTINGENCIES AND COMMITMENTS**

No contigencies and commitments are existing as at June 30, 2013.

20 **OPERATING REVENUE**

	2013	2012
	Rupees	
Commission income	**38,441,338**	19,672,694
Dividend income	**6,546,629**	1,080,45:
	44,987,967	20,753,147

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			2013	2012
21	**ADMINISTRATIVE EXPENSES**		Rupees	
	Salaries, benefits and allowances	21.1	**10,554,307**	5,811,521
	KSE rent, electricity and service charges		**1,142,862**	2,035,595
	CDC charges		**1,076,561**	768,022
	Printing and stationery		**464,126**	436,275
	Fees and subscription		**1,078,266**	537,320
	Communication expenses		**3,722,790**	2,580,896
	Audit Fees		**350,000**	350,000
	Advertisement expense		**473,404**	351,988
	Entertainment expense		**1,578,986**	639,740
	Utility expense		**1,529,979**	1,056,677
	Repair and maintenance		**1,284,084**	3,430,051
	Traveling and conveyance expenses		**205,313**	332,225
	Postage and courier		**70,264**	186,430
	Depreciation	4	**937,685**	1,104,322
	Amortization		**14,874**	18,592
			24,483,501	19,639,654

21.1 Directors' Remuneration

	Chief Executive		Director		Total	
	2013	2012	**2013**	2012	**2013**	2012
			Rupees			
Basic salary	**399,996**	399,996	**1,560,000**	1,608,000	**1,959,996**	2,007,996
House allowance	**159,996**	159,996	**600,000**	1,206,000	**759,996**	1,365,996
Utility allowance	**40,008**	40,008	**240,000**	1,206,000	**280,008**	1,246,008
	600,000	600,000	**2,400,000**	4,020,000	**3,000,000**	4,620,000
Number of persons	**1**	**1**	**1**	**3**		

		2013	2012
22	**FINANCE COST**	Rupees	
	Mark up on short term borrowing & bank charges	**13,785,838**	12,764,414
	Mark up on long term finance	**2,123,704**	5,270,445
		15,909,542	18,034,859

23 FINANCIAL RISK MANAGEMENT

23.1 Financial Risk Factors

The Company is exposed to a variety of financial risks (including interest rate risk and other price risk), credit rate risk and liquidity risk. The Company's overall risk management programmed focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

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

a) **Market Risk**

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.59.97 million (2012: Rs. 84.7 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.

Sensitivity analysis

For the purpose of price risk sensitivity analysis it is observed that the benchmark KSE 100 Index has increased by 10.5% during the financial year.

The table below summarizes Company's equity price risk as of 30 June 2013 and 2012 and shows the effects of a hypothetical 10% increase 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, 2013	*Rupees*	**59,597,673**	**10% increase**	**65,557,440**	**5,959,767**	**5,959,767**
June 30, 2012	*Rupees*	84,721,300	10% increase	93,193,430	8,472,130	8,472,130

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 company has variable rates financial liabilites of Rs 40.4 million (2011:RS 38.1 million) that lead the company to interest rate risk on these liabilities. However financial assets include balances of Rs. 39,650 (2011: Rs. 29,651), which is subject to interest / markup rate risk.

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.

At the reporting date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2013	2012	2013	2012
	Effective interest rate (%)		Carrying amounts	
Financial assets				
Bank deposits - *savings account*	6% - 12%	6% - 12%	13,045,302	39,650
Financial liabilities				
Short term Borrowing	10 % to 12%	9% to 11%	57,354,945	40,493,199

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 guidlines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continously monitors the credit exsposure 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:

	2013	2012
	Rupees	
Long term deposits	**8,585,677**	8,585,677
Trade debts	**151,129,315**	138,849,231
Advances, Trade deposits and other recieveables	**24,164,136**	7,522,403
Cash and bank balances	**13,418,800**	945,653
	197,297,928	155,902,964

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.

There are no any past due financial assets as at the reporting date.

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 13 million (2012:Rs. 0.94 million) as disclosed in Note 12.

The Company had interest bearing liability of Rs 57.4 million (2012: 40.4 million) outstanding at the reporting date.

23.2 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, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
	------------ **Amount in Rupees** -----------			
Financial assets				
- Held for trading Financial Assets				
Quoted equities	**59,597,673**	**-**	**-**	**59,597,673**

	Level 1	Level 2	Level 3	Total
	---------- Amount in Rupees ----------			

23.3 Financial instruments by category

Amounts in Rupees

As at June 30, 2013 Financial assets as per balance sheet	Held for Trading financial assets	Loans and receivables	Cash and bank	Total
Long term deposits		8,585,677	-	8,585,677
Short term Investment	59,597,673		-	59,597,673
Trade debts	-	151,129,315	-	151,129,315
Cash and bank balances	-	-	13,418,800	13,418,800
	59,597,673	159,714,992	13,418,800	232,731,465

As at June 30, 2013 Financial liabilities as per balance sheet	Financial liabilities at amortized
Trade creditors, accrued expenses and other liabilities	62,941,139
	62,941,139

Amounts in Rupees

As at June 30, 2012 Financial assets as per balance sheet	Held for Trading financial assets	Loans and receivables	Cash and bank	Total
Long term deposits	-	8,585,677	-	8,585,677
Short term Investment	84,721,300		-	84,721,300
Trade debts	-	138,849,231	-	138,849,231
Cash and bank balances	-	-	945,653	945,653
	84,721,300	147,434,908	945,653	233,101,861

As at June 30, 2012 Financial liabilities as per balance sheet	*Financial liabilities at amortized*
Trade creditors, accrued expenses and other liabilities	133,873,469
	133,873,469

24 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.

25 Corresponding figures

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

26 RECLASSIFICATION

Reclassification from component	Reclassification to component	Amount (Rs)
Advertisement expense	Rent, rates and taxes	93,970
Other Receivable	Short term loan	64,000,000

The above rearrangements/ reclassifications do not affect retained earnings for the year ended 30 June 2012. Therefore, the balance sheet for the year ended 30 June 2012 has not been represented.

27 **NUMBER OF EMPLOYEES**

	2013	2012
Number of persons	15	14

28 **APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors and authorized for issue on 07 OCT 2013.

29 **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**