Russell Bedford

Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

AUDITED FINANCIAL STATEMENTS

INTERMARKET SECURITIES LIMITED

FOR THE YEAR ENDED

JUNE 30, 2014

AUDITED FINANCIAL STATEMENTS

INTERMARKET SECURITIES LIMITED

FOR THE YEAR ENDED

JUNE 30, 2014

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

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, 2014** 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, 2014, 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: 03 OCT 2014

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS
MUHAMMAD RAFIQ DOSANI

INTERMARKET SECURITIES LIMITED
BALANCE SHEET
AS AT JUNE 30, 2014

	Note	2014	2013
		Rupees	
NON CURRENT ASSETS			
Property and equipment	4	7,193,093	6,952,682
Intangible assets	5	20,476,341	20,488,240
Investment-Available for sale	6	10,530,250	10,530,250
Long term deposits	7	8,789,977	8,585,677
Long term investment	8	36,000,000	36,000,000
CURRENT ASSETS			
Investment- at fair value through profit and loss	9	221,855,539	59,597,673
Trade debts	10	277,577,602	151,129,315
Advances, deposits, prepayments and other receivables	11	31,627,743	24,164,136
Short term loan	12	64,000,000	64,000,000
Cash and bank balances	13	22,394,711	13,418,800
		617,455,595	312,309,924
		700,445,256	394,866,773
CAPITAL AND LIABILITIES			
Share capital	14	200,559,560	200,559,560
Accumulated profit / (losses)		86,969,531	40,011,129
		287,529,091	240,570,689
NON CURRENT LIABILITIES			
Directors' loan		34,000,000	34,000,000
CURRENT LIABILITIES			
Short term borrowings - secured	15	275,882,110	57,354,945
Trade and other payables	16	95,291,212	60,681,956
Accrued markup	17	7,742,843	2,259,183
		378,916,165	120,296,084
Contingencies and commitment	18		
		700,445,256	394,866,773

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, 2014

	NOTE	2014	2013
		Rupees	
Operating revenue	19	71,076,742	44,987,967
Capital gain on investment - net		13,386,414	101,849,496
Gain / (Loss) on revaluation of investments		20,193,063	(17,524,426)
		104,656,219	129,313,037
OPERATING EXPENSES			
Administrative expenses	20	30,627,430	24,483,501
Finance costs	21	17,874,768	15,909,542
		48,502,198	40,393,043
Workers' Welfare Fund		1,497,398	2,007,671
Profit before taxation		54,656,623	86,912,323
Taxation			
Current		7,698,221	13,535,803
Prior year		-	951,703
		7,698,221	14,487,506
Profit for the year		46,958,402	72,424,817

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, 2014

	Note	2014	2013
		Rupees	
Profit after taxation		46,958,402	72,424,817
Other comprehensive income		-	-
Total comprehensive income for the year		46,958,402	72,424,817

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, 2014

	2014	2013
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	54,656,623	86,912,323
Adjustments for:		
Depreciation	830,289	937,685
Amortization	11,899	14,874
Loss / (gain) on revaluation of investments	20,193,063	17,524,426
Provision for WWF	1,497,398	2,007,671
Finance cost	17,874,768	15,909,542
	40,407,417	36,394,198
	95,064,040	123,306,521
Changes in working capital items		
(Increase) / Decrease in Current assets		
Trade debts	(126,448,287)	(12,280,084)
Advances, deposits, prepayments and other receivables	(7,452,717)	(19,623,111)
	(133,901,004)	(31,903,195)
Increase / (Decrease) in Current liabilities		
Trade and other payable	34,609,256	(71,641,949)
Operating Cash Flows	(4,227,708)	19,761,377
Finance cost paid	(12,391,108)	(17,205,858)
Tax paid	(9,206,509)	(13,718,508)
Net Cash used in operating activities	(25,825,325)	(11,162,989)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale / (purchase) of investments	(182,450,929)	9,809,845
Purchase of property & equipment	(1,070,700)	-
Long term deposit	(204,300)	-
Net cash (used in) / generated from investing activities	(183,725,929)	9,809,845
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipt of loan from director	-	34,000,000
Repayment of long term finance	-	(37,035,455)
Net cash used in financing activities	-	(3,035,455)
Net cash flow during the year	(209,551,254)	(4,388,599)
Cash & cash equivalents at the beginning of the year	(43,936,145)	(39,547,546)
Cash & cash equivalents at the end of the year	(253,487,399)	(43,936,145)
Cash and cash equivalent at the end of the year comprises of the following:		
Cash and bank balances	22,394,711	13,418,800
Short term borrowings	(275,882,110)	(57,354,945)
	(253,487,399)	(43,936,145)

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, 2014

	Share Capital	Accumulated Losses	Total Equity
	Rupees		
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
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

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, 2014

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.

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 4. 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 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 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.

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 borrowing costs.

4 PROPERTY PLANT AND EQUIPMENT

PERIOD	Owned					
	Furniture & fixture	Office equipments	Vehicles	Computer	Office premises	Total
	Rupees					
Year ended June 30, 2013						
Opening net book value	204,165	1,594,949	420,013	533,230	5,138,009	7,890,366
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	336,010	373,261	4,624,208	6,952,681
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)	(1,439,728)	(959,880)	(3,340,713)	(4,539,532)	(10,603,449)
Net book value	183,748	1,435,455	336,010	373,261	4,624,208	6,952,682
Year ended June 30, 2014						
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
As at June 30, 2014						
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
Rates of depreciation	10%	10%	20%	30%	10%	10%

			2014	2013
			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	5.3	**47,595**	59,494
			20,476,341	20,488,240

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.

		2014	2013
		Rupees	
5.3	**Software**		
	Software	**59,494**	74,368
	Less: 20% amortization	**(11,899)**	(14,874)
		47,595	59,494

6 INVESTMENT-AVAILABLE FOR SALE

	2014	2013
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.

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 purposes applicable to the stock exchange brokers currently.

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.

			2014	2013
			Rupees	
7	**LONG TERM DEPOSITS**			
	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		**636,900**	432,600
			8,789,977	**8,585,677**
8	**LONG TERM INVESTMENT**			
	Investment in unquoted security		**36,000,000**	36,000,000
9	**SHORT TERM INVESTMENTS**			
	Investments - at fair value through profit & loss	9.1	**221,855,539**	59,597,673
9.1	**Securities- at fair value through profit / loss**			
	Cost of shares investment		**142,064,803**	62,106,825
	Changes due to fair market value			
	Opening		59,597,673	15,015,274
	During the year		20,193,063	(17,524,426)
			79,790,736	(2,509,152)
			221,855,539	59,597,673
10	**TRADE DEBTS**			
	Considered good and unsecured		277,577,602	151,129,315

11 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2014	2013
		Rupees	
Advance tax	11.1	**969,185**	980,075
Exposure deposits - KSE		**10,000,000**	21,641,561
Advance to staff		**4,076,479**	1,542,500
Advance against IPO		**14,055,930**	-
Others		**2,526,149**	-
		31,627,743	24,164,136

11.1 Advance tax

	2014	2013
Advance tax	**8,667,406**	14,515,878
Less: Provision for taxation	**(7,698,221)**	(13,535,803)
	969,185	980,075

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 collaterals held in next twelve month and in process of completion of legal formalities in this respect.

13 CASH AND BANK BALANCES

	2014	2013
	Rupees	
Cash at bank		
- current account	**258,838**	373,498
- saving account	**22,135,873**	13,045,302
	22,394,711	13,418,800

14 SHARE CAPITAL

Authorized share capital

	2014	2013
100,000,000 (2013: 100,000,000) ordinary shares of Rs. 10 each.	**1,000,000,000**	1,000,000,000

Issued, subscribed and paid up capital

	2014	2013
20,055,956 (2013: 6,326,800) - ordinary shares of Rs. 10/- each	200,559,560	63,268,000
Nil (2013: 13,729,156) bonus shares issued of Rs 10/- each .	-	137,291,560
	200,559,560	200,559,560

15 SHORT TERM BORROWINGS - SECURED

The Company has obtained running finance facilities under mark-up arrangements of Rs.275 million (2013: 57.35 million) from

- Summit Bank, having markup ranging from 3 months KIBOR (Ask side) + 200 bps with floor of 15% per annum (2013: 3 months KIBOR + 2%) on daily product basis payable quarterly

- NIB Bank Limited, having markup ranging from 3 months KIBOR (Ask side) + 250 bps with floor of 15% per annum (2013: 3 months KIBOR + 2.5%) on daily product basis payable quarterly

		2014	2013
		Rupees	

16 TRADE AND OTHER PAYABLES

	2014	2013
Creditors	91,800,127	55,126,633
Other Liabilities	3,491,085	5,555,323
	95,291,212	60,681,956

17 ACCRUED MARKUP

	2014	2013
Short term borrowings	7,742,843	2,259,183

18 CONTINGENCIES AND COMMITMENTS

No contingencies and commitments are existing as at June 30, 2014.

19 OPERATING REVENUE

	2014	2013
	Rupees	
Commission income	61,290,250	38,441,338
Dividend income	9,786,492	6,546,629
	71,076,742	44,987,967

20 ADMINISTRATIVE EXPENSES

	Note	2014	2013
		Rupees	
Salaries, benefits and allowances	20.1	10,029,610	10,554,307
KSE rent, electricity and service charges		2,555,106	1,142,862
CDC charges		905,349	1,076,561
Printing and stationery		654,099	464,126
Fees and subscription		1,802,105	1,078,266
Communication expenses		3,965,978	3,722,790
Audit Fees		400,000	350,000
Rent, rates and taxes		504,859	473,404
Entertainment expense		2,474,934	1,578,986
Utility expense		2,135,928	1,529,979
Repair and maintenance		3,728,253	1,284,084
Traveling and conveyance expenses		531,760	205,313
Postage and courier		97,261	70,264
Depreciation	4	830,289	937,685
Amortization	5.3	11,899	14,874
		30,627,430	24,483,501

20.1 Directors' Remuneration

	Chief Executive 2014	Chief Executive 2013	Director 2014	Director 2013	Total 2014	Total 2013
	Rupees					
Basic salary	399,996	399,996	1,560,000	1,560,000	1,959,996	1,959,996
House allowance	159,996	159,996	600,000	600,000	759,996	759,996
Utility allowance	40,008	40,008	240,000	240,000	280,008	280,008
	600,000	600,000	2,400,000	2,400,000	3,000,000	3,000,000
Number of persons	1	1	1	1		

21 FINANCE COST

	2014	2013
	Rupees	
Mark up on short term borrowing & bank charges	17,874,768	13,785,838
Mark up on long term finance	-	2,123,704
	17,874,768	15,909,542

22 FINANCIAL RISK MANAGEMENT

22.1 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. 221.8 million (2013: Rs. 59.97 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 41.16% (2013: 55.20%) during the financial year.

The table below summarizes Company's equity price risk as of 30 June 2014 and 2013 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, 2014	*Rupees*	**221,855,539**	**10% increase**	**244,041,093**	**22,185,554**	**22,185,554**
June 30, 2013	*Rupees*	59,597,673	10% increase	65,557,440	5,959,767	5,959,767

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 liabilities of Rs 40.4 million (2013:RS 38.1 million) that lead the company to interest rate risk on these liabilities. However financial assets include balances of Rs. 39,650 (2013: 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:

	2014	2013	2014	2013
	Effective interest rate (%)		Carrying amounts	
Financial assets				
Bank deposits - *savings account*	6% - 12%	6% - 12%	22,135,873	13,045,302
Financial liabilities				
Short term Borrowing	10 % to 12%	9% to 11%	275,882,110	57,354,945

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.

NA

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:

	2014	2013
	Rupees	
Long term deposits	**8,789,977**	8,585,677
Trade debts	**277,577,602**	151,129,315
Advances, Trade deposits and other receivables	**31,627,743**	24,164,136
Cash and bank balances	**22,394,711**	13,418,800
	340,390,033	197,297,928

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 22.394 million (2013:Rs. 13.418 million) as disclosed in Note 12.

The Company had interest bearing liability of Rs 275.882 million (2013: 57.354 million) outstanding at the reporting date.

22.2 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, 2014	Level 1	Level 2	Level 3	Total
	----------- Amount in Rupees ----------			
Financial assets				
-Held for trading Financial Assets				
Quoted equities	221,855,539	-	-	221,855,539

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

22.3 Financial instruments by category

Amounts in Rupees

As at June 30, 2014 Financial assets as per balance sheet	Available for Sale financial assets	Held for Trading financial assets	Loans and receivables	Cash and bank	Total
Long term deposits	-	-	8,789,977	-	8,789,977
Long term investments	10,530,250	-	-	-	10,530,250
Short term Investment	-	221,855,539	-	-	221,855,539
Trade debts	-	-	277,577,602	-	277,577,602
Cash and bank balances	-	-	-	22,394,711	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 as per balance sheet	Financial liabilities at amortized
Trade creditors, accrued expenses and other liabilities	103,034,055
	103,034,055

Amounts in Rupees

As at June 30, 2013 Financial assets as per balance sheet	Available for Sale financial assets	Held for Trading financial assets	Loans and receivables	Cash and bank	Total
Long term deposits	-	-	8,585,677	-	8,585,677
Long term investments	10,530,250	-	-	-	10,530,250
Short term Investment	59,597,673	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	59,597,673	159,714,992	13,418,800	292,329,138

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

Mr

23 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.

24 Corresponding figures

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

25 NUMBER OF EMPLOYEES

	2014	2013
Number of persons	13	15
Average Number of persons	13	15

26 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on 03 OCT 2014.

27 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