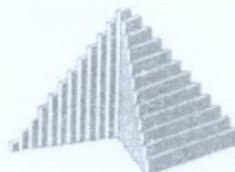
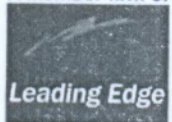


**Zahid Latif Khan Securities  
(Private) Limited**

**Audited Accounts  
For the year ended June 30, 2014**

A member firm of



**RAFAQAT MANSHA  
MOHSIN DOSSANI  
MASOOM & CO.**  
Chartered Accountants

**Zahid Latif Khan Securities (Private) Limited**

**Directors Report to the Shareholders**

Asalam-o-Alaikum

Dear Shareholders on behalf of the Board of Directors I am pleased to present the Annual Report for the financial year ended June 30, 2014, together with the audited financial statements and auditor's report thereon as per accounting, regulatory and legal requirements/standards.

Pakistan's economy has emerged from turbulent times with significant improvements on major fronts. For the first time in five years, GDP growth has crossed the 4% mark. Higher inflows accompanied by stability in the foreign exchange market, resulted in Pakistan Rupee gains against the US Dollar.

Despite market-related challenges and country's economic condition, the company is focused on maintaining its growth momentum in the long run. Management is acutely monitoring its resources to reap the maximum benefits for its shareholders,. This involves optimizing revenue generation from brokerage and fee based operations whilst at the same time rationalizing our cost base.

**Financial Results**

The company earned net income of Rs. 14,498,602/= from its operations viz net income of Rs. 1,886,557/= in the comparative last year. Our financial results reflect excellent performances across all our business.

## **Future Outlook**

The future prospective of your company looks positive on account of growing market volumes with our increasing market share. We are confident that the investment will keep delivering better results going forward as the market is still offering opportunities.

## **Auditors**

The present auditors of the company M/s Rifaqat Mansha Mohsin Dossani Masoom & Co., Chartered Accountants retired and offer themselves for re-appointment for the year ended June 30, 2015. The board has suggested the re-appointment of M/s Rifaqat Mansha Mohsin Dossani Masoom & Co. Chartered Accountants as auditors of the company for the ensuing year.

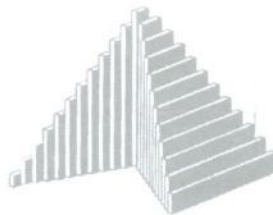
## **Acknowledgement**

We would like to express our sincerest appreciation to our employees, clients and to our shareholders for the confidence they have entrusted on us.

We pray to Allah for the continued success of your company.

**Karachi**  
**October 03, 2014**

  
\_\_\_\_\_  
**(Zahid Latif Khan)**  
**Chief Executive**



### Auditors' Report to the Members

We have audited the annexed balance sheet of **Zahid Latif Khan Securities (Private) Limited** as at June 30, 2014 and the related profit and loss account, statement of 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 statement in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by 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, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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, comprehensive income, its cash flows 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 (XVIII of 1980).

Place: **Islamabad**

Dated: **October 03, 2014**



*Masoom Akhtar*  
**Rafaqat Mansha Mohsin Dossani Masoom & Co.**  
**Chartered Accountants**  
Engagement Partner: Masoom Akhtar

Other offices:

Karachi Tel: 021 3439 2361-2 Fax: 021 34396247  
Lahore Tel: 042 3755 2728-9 Fax: 042 37552730  
Peshawar Tel: 091 570 3151-2 Fax: 091 5703153

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Jinnah Avenue, Islamabad.  
Tel: +92-51 2894652-3 Fax: +92-51-2894651  
masoomakhtarca@gmail.com  
masoom@rmdm.com.pk www.rmdm.com.pk

**Zahid Latif Khan Securities (Private) Limited**  
**Balance sheet as at June 30, 2014**

	<u>Note</u>	<u>2014</u> <u>(Rupees)</u>	<u>2013</u> <u>(Rupees)</u>
<b><u>Equity and liabilities</u></b>			
<b>Share capital and reserves</b>			
Share capital	4	30,000,000	15,000,000
Revenue reserves			
Unappropriated profit		45,366,147	32,002,441
		<u>75,366,147</u>	<u>47,002,441</u>
<b>Current liabilities</b>			
Trade payables		177,277,827	64,696,521
Short term bank borrowings	5	34,140	-
Accrued and other liabilities	6	2,127,837	5,270,392
Provision for taxation		1,223,885	442,886
		180,663,689	70,409,799
<b>Contingencies and commitments</b>	7	-	-
		<u>256,029,836</u>	<u>117,412,240</u>
<b><u>Property and assets</u></b>			
<b>Non - current assets</b>			
Property and equipment	8	3,100,754	3,348,921
Long term deposits	9	710,000	710,000
Intangible assets	10	4,000,000	4,000,000
<b>Current assets</b>			
Short term investment - available for sale	11	125,584,765	30,346,030
Trade receivables	12	76,852,933	63,386,976
Loan and advances	13	359,400	368,400
Deposits, prepayments and other receivables	14	30,677,195	7,799,583
Cash and bank balances	15	14,744,790	7,452,330
		248,219,082	109,353,319
		<u>256,029,836</u>	<u>117,412,240</u>

The annexed notes form an integral part of these accounts.

  
 Chief Executive

  
 Director

**Zahid Latif Khan Securities (Private) Limited**  
**Profit and loss account**  
**For the year ended June 30, 2014**

	<u>Note</u>	<u>2014</u> <u>(Rupees)</u>	<u>2013</u> <u>(Rupees)</u>
Commission income	16	29,031,438	24,568,724
Unrealized gain on re-measurement of investments held for trading carried at fair value through profit or loss - net	17	4,189,856 <u>33,221,294</u>	- <u>24,568,724</u>
Operating expenses	18	27,677,855 <u>5,543,439</u>	22,781,403 <u>1,787,321</u>
<b>Profit from operations</b>		<b>1,025,376</b>	<b>1,342,369</b>
Financial charges	19	4,518,063 <u>9,980,539</u>	444,952 <u>1,441,605</u>
Other income	20	-	30,746,030
Net gain on transfer of TREC and shares of Islamabad Stock Exchange Limited received on Demutualization of the Exchange		<u>14,498,602</u>	<u>32,632,587</u>
<b>Profit before taxation</b>		<b>1,134,896</b>	<b>442,886</b>
Taxation	21	<u>13,363,706</u>	<u>32,189,701</u>
<b>Profit after taxation</b>		<b>13,363,706</b>	<b>32,189,701</b>

The annexed notes form an integral part of these accounts.

  
**Chief Executive**

  
**Director**

**Zahid Latif Khan Securities (Private) Limited**  
**Statement of comprehensive income**  
**For the year ended June 30, 2014**

	<u>2014</u> (Rupees)	<u>2013</u> (Rupees)
Profit for the year	13,363,706	32,189,701
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u><u>13,363,706</u></u>	<u><u>32,189,701</u></u>

4

The annexed notes form an integral part of these accounts.

  
Chief Executive

  
Director

**Zahid Latif Khan Securities (Private) Limited**

**Cash flow statement**

**For the year ended June 30, 2014**

	<b>2014</b>	<b>2013</b>
	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>Cash flow from operating activities</b>		
Net profit before tax	14,498,602	32,632,587
Adjustments for:		
Depreciation	487,164	443,881
Unrealized gain on short term investment	(4,189,856)	-
Net gain on transfer of TREC and shares of ISEL	-	(30,746,030)
	<u>(3,702,692)</u>	<u>(30,302,149)</u>
Operating profit before working capital changes	10,795,910	2,330,438
(Increase)/decrease in :		
Short term investment-Listed Companies	(91,048,879)	
Trade receivables	(13,465,957)	(6,669,186)
Loan and advances	9,000	(247,000)
Deposits, prepayments and other receivables	(22,024,308)	(7,400,762)
	<u>(126,530,144)</u>	<u>(14,316,948)</u>
(Decrease)/Increase in current liabilities	109,472,891	18,591,603
	<u>(17,057,253)</u>	<u>4,274,656</u>
<b>Cash generated from operating activities</b>	(6,261,342)	6,605,094
Income tax paid	(1,207,201)	(325,408)
	<u>(1,207,201)</u>	<u>(325,408)</u>
<b>Net cash (used)/generated from operating activities</b>	(7,468,543)	6,279,686
<b>Cash flow from investing activities</b>		
Long term deposits	-	(265,000)
Fixed capital expenditure	(238,996)	(1,597,575)
Sales proceeds of assets	-	-
<b>Net cash used in investing activities</b>	(238,996)	(1,862,575)
<b>Cash flow from financing activities</b>		
Issuance of share capital	15,000,000	-
<b>Net cash inflow from financing activities</b>	15,000,000	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	7,292,461	4,417,111
<b>Cash and cash equivalent at the beginning of the year</b>	7,452,330	3,035,219
<b>Cash and cash equivalent at the end of the year</b>	<u>14,744,790</u>	<u>7,452,330</u>

(14)

  
Chief Executive

  
Director



**Zahid Latif Khan Securities (Private) Limited**  
**Statement of changes in equity**  
**For the year ended June 30, 2014**

	<u>Share Capital</u> <u>(Rupees)</u>	<u>Accumulated profit /(losses)</u> <u>(Rupees)</u>	<u>Total</u> <u>(Rupees)</u>
<b>Balance as at June 30, 2012</b>	<b>15,000,000</b>	<b>(187,260)</b>	<b>14,812,740</b>
Total comprehensive income for the year	-	32,189,701	32,189,701
<b>Balance as at June 30, 2013</b>	<b>15,000,000</b>	<b>32,002,441</b>	<b>47,002,441</b>
Issuance of share capital	15,000,000	-	15,000,000
Total comprehensive income for the year	-	13,363,706	13,363,706
<b>Balance as at June 30, 2014</b>	<b><u>30,000,000</u></b>	<b><u>45,366,147</u></b>	<b><u>75,366,147</u></b>

  
 Chief Executive

  
 Director

1. **Zahid Latif Khan Securities (Private) Limited**

**Notes to the accounts**

**For the year ended June 30, 2014**

**The Company and its operations**

The company was incorporated in Pakistan on May 06, 1999 under the Companies Ordinance, 1984 as a private limited company. The company is a Trading Right Entitlement Certificate (TREC) holder of Islamabad Stock Exchange Limited and duly registered with the Securities and Exchange Commission of Pakistan (SECP). It started its commercial activities with effect from July 06, 1999.

The main object of the company is to carry on the business of broker in stocks, shares, securities under license or with the foreign permission or approval of any recognized association, authority, stock exchange, or other market in Pakistan or abroad. The registered office of the company is situated at Room No. 624-627, 6th Floor, Stock Exchange Building, Stock Exchange Road, Karachi.

2. **Basis of preparation of financial statements**

2.1) **Statement of compliance**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2) **Basis of measurement**

These accounts have been prepared under the historical cost convention, without any adjustments for the effects of inflation or current values except for financial assets which are taken over on fair value basis.

2.3) **Functional and presentation currency**

These financial statements are presented in Pakistan Rupees which is also the company's financial currency.

2.4) **Use of significant estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgment, estimates and assumptions that effect the application of policies and reported amounts of assets and 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 judgment about carrying value 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 recognized in the period in which estimates are revised if the revision effects only that period, or in the period of the revision and future periods if the revision effects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.5) **Initial application of standards, amendments or an interpretation to existing standards**

a) **Standards, amendments and interpretations to approved accounting standards that became effective during the year**

The amendments to the following standards have been adopted by the Company for the first time for the financial year beginning on July 01, 2013.

IAS 19 'Employee Benefits' was revised in June 2011. The changes on the Company's accounting policies are to immediately recognize all past service costs and actuarial gains or losses; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See note 3.1 for the impact on the financial statements.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 01, 2013 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these financial statements.

b) **Standards and amendments to published standards that are not yet effective and have not been early adopted by the Company**

The following standards and amendments to published standards are effective for the Company's accounting periods beginning on or after July 01, 2014 (although available for early adoption) and have not been early adopted by the Company:

- IAS 19 (Amendment) 'Employee Benefits: Employee contributions' (effective from periods beginning on or after July 1, 2014). The amendment clarifies the application of IAS 19, 'Employee benefits' (2011) - referred to as 'IAS 19R', to plans that require employees or third parties to contribute towards the cost of benefits. The amendment does not affect the accounting for voluntary contributions. The 2011 revisions to IAS 19 distinguished between employee contributions related to service and those not linked to service. The current amendment further distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided.
- IAS 27 (Revised 2011) 'Separate Financial Statements' (effective from accounting period beginning on or after January 01, 2015). IAS 27 (Revised 2011) will concurrently apply with IFRS 10. The revised Standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous Standard. The IASB has issued recently the amendment to IAS 27 wherein it has allowed to follow the equity method in the separate financial statements also. These amendments will be effective from January 01, 2016 with earlier application allowed.

- IAS 32 (Amendment) 'Financial Instruments: Presentation - Offsetting financial assets and financial liabilities' (effective for periods beginning on or after January 1, 2014). These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the Company by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counter parties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default. The amendments are not likely to have an impact on Company's financial statements.
- IAS 36 'Impairment of assets - Recoverable amount disclosures for non-financial assets' (effective for periods beginning on or after January 1, 2014).

The amendments have removed:

- the requirement to disclose the recoverable amount of a cash-generating unit (or group of cash-generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognized (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13; and
  - have introduced additional disclosure requirements in respect of assets for which an impairment has been recognized or reversed and for which the recoverable amount is determined using fair value less costs of disposal.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.
  - IAS 39 Financial Instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting (effective for periods beginning on or after January 1, 2014). The amendment allows the continuation of hedge accounting (under IAS 30 and IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counterparty and certain conditions are met.

- IFRS 13 - Fair Value Measurement (effective from accounting periods beginning on or after January 01, 2015). IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied.
  
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:
  - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
  
  - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
  
  - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
  
  - Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset. x

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

Other than the aforesaid standards 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 15 - Revenue from Contracts with Customers

### 3. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below:

#### 3.1) Taxation

The provision for current taxation is based on taxable income at the current rates of taxation. Company provides for the deferred taxation, if any, using the liability method. However no provision is made if it is estimated that this would not reverse in the foreseeable future.

#### 3.2) Property and equipment

- i) These are stated at cost less accumulated depreciation and impairment losses, if any;
- ii) Depreciation on operating assets is charged on reducing balance method. A full month's depreciation is charged in the month of addition and no depreciation is charged in the month of disposal;
- iii) Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized;
- iv) Gain and losses on disposal of fixed assets, if any, included in profit and loss account currently;
- v) The Company reviews the useful lives and residual value of its assets on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge.

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

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

#### 3.4) Intangible assets

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

### 3.5) **Investments**

All investments are initially recognized at fair value, being the cost of the consideration given including transaction cost associated with the investment, except in case of held for trading investments, in which case the transaction costs are charged off to the profit and loss account.

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognized at the trade date. Trade date is the date on which the Company commits to purchase or sale an asset.

The management determines the appropriate classification of the investment made by the Company in accordance with the requirements of International Accounting Standards (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of purchase.

The Company classifies its investments in the following categories:

#### **Financial assets 'at fair value through profit or loss - held for trading'**

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in prices are classified as 'financial assets at fair value through profit or loss - held for trading'. Subsequent to initial recognition, these investments are marked-to-market and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these investments are taken to the profit and loss account.

#### **Held-to-maturity investments**

Investments with a fixed maturity where the Company has the intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any accumulated impairment losses.

#### **Available-for-sale**

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in market prices, are classified as 'available-for-sale'. Subsequent to initial measurement, available-for-sale' investments are re-measured to fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity. However, any premium or discount on acquisition of debt securities is amortized and taken to the profit and loss account over the life of the investment using the effective interest rate method. When securities are disposed of or impaired, the related fair value adjustments previously taken to equity are transferred to the profit and loss account.

Fair value for listed securities are the quoted prices on stock exchange on the date it is valued. Fair value of Term Finance Certificates, units of open end Mutual Funds and Government Securities are determined on the basis of rates notified by Mutual Fund Association of Pakistan for Term Finance Certificates, relevant redemption prices for the open-end Mutual Funds and quotations obtained from the PKRV sheets for Government Securities respectively. Unquoted securities are valued at cost.

### 3.6) **Staff retirement benefits**

The company operates a non-contributory, unapproved and unfunded gratuity scheme for its permanent employees, who have completed minimum period of five year service. No provision has been recorded for in these accounts as no permanent employee fulfill the minimum length of service requirement.

### 3.7) **Revenue recognition**

Brokerage and commission is recognized as and when such services are provided.

### 3.8) **Trade debts**

These are stated at net of provision for doubtful debts. Full provision is made against the debts considered doubtful.

**3.9) Cash and cash equivalents**

Cash in hand and at banks are carried at cost.

**3.10) Financial instrument**

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortized cost respectively. The company derecognizes the financial assets and liabilities when it ceases to be party to such contractual provisions of the instruments. Financial instrument mainly comprise investments, trade and other receivables, cash and bank balances, deposits, borrowings, trade and other payables, accrued and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

	<u>2014</u> (Rupees)	<u>2013</u> (Rupees)
<b>4. Share capital and reserves</b>		
Authorized:		
300,000 ordinary shares of Rs. 100/= each	<u>30,000,000</u>	<u>30,000,000</u>
Issued, subscribed and paid up:		
150,000 ordinary shares of Rs. 100/= each	-	15,000,000
300,000 ordinary shares of Rs. 100/= each	<u>30,000,000</u>	<u>-</u>
<b>5. Short term bank borrowings</b>		
MCB Bank Limited	<u>34,140</u>	<u>-</u>
	<u>34,140</u>	<u>-</u>

The facility is available with MCB Bank Limited to the tune of Rs. 45.000 million against the running finance - I (RF-I) and running finance-II (RF-II) of Rs. 20.000 million and 25.000 million respectively at a mark up listed below and 20.000 million for term finance at a mark up listed below:

- RF - I & II TPMR 3 (Months Kibor + 5% p.a.)  
SMR (TPMR + 5%)/20% (which ever is higher)

These facilities are secured by way of:

**Running Finance - I**

- Personal guarantees of all the directors covering the entire exposure;
- Pledge if activity traded shares in marketable lots (trading at not less than par value) of eligible listed companies registered with CDC as per MCB's eligible list for financing against shares.

**Running Finance - II**

- 1st Exclusive charge of Rs. 35 million over assets of the company;
- Hypothecation of receivables of the company.

**Collateral**

- Personal guarantees of all the directors covering aggregate exposure must be held;
- Token registration mortgage of Rs. 0.100 million and rest against equitable mortgage of residential property bearing plot No. 07 & 09, Street No. 13, Sector C, Phase - I, admeasuring 1000 sq. yds situated at Defence Housing Authority Islamabad owned by chief executive of the company valuing Rs. 40.308 million (FSV: Rs. 34.262 million) as per valuation report of M/s Al-Hadi Financial & Legal Consultant dated 20.02.2014.

These facilities shall expired on March 31, 2015.



6. **Accrued and other liabilities**

	<u>2014</u> (Rupees)	<u>2013</u> (Rupees)
Commission payable	1,162,459	2,188,044
Payable to Islamabad Stock Exchange Limited/NCCPL	263,712	1,714,206
Other liabilities	123,126	699,105
FED payable	256,141	332,336
Utilities	119,206	162,997
CDC bill payable	128,193	113,704
Audit fee	75,000	60,000
	<u>2,127,837</u>	<u>5,270,392</u>

7. **Contingencies and commitments**

a) **Contingencies:**

Currently there are no contingencies against the company in foreseeable future.

b) **Commitments:**

Currently there are no commitments against the company in foreseeable future.

8. **Property and equipment**

Particulars	Cost				Rate %	Depreciation				W.D.V at 30.06.14
	As on 01.07.13	Additions	Adjustments/ (Deletion)	As at 30.06.14		As on 01.07.13	For the year	Adjustments Dr/(Cr)	As at 30.06.14	
<b>Owned</b>										
Office building	2,575,000	-	-	2,575,000	10	520,300	205,470	-	725,770	1,849,230
Furniture and fixtures	830,924	-	-	830,924	15	577,977	37,942	-	615,919	215,005
Air conditioners	223,487	-	-	223,487	15	148,817	11,201	-	160,017	63,470
Office equipments	48,990	-	-	48,990	15	48,230	114	-	48,344	646
Motor cycle	167,925	-	-	167,925	15	115,417	7,876	-	123,293	44,632
Electronic equipments	117,420	-	-	117,420	15	85,175	4,837	-	90,011	27,409
Computers	630,547	238,996	-	869,543	30	524,803	103,422	-	628,225	241,318
Generator	19,100	-	-	19,100	15	14,884	632	-	15,517	3,583
Telephone installation	64,618	-	-	64,618	15	33,409	4,681	-	38,090	26,528
Motor vehicle - owned	2,299,084	-	-	2,299,084	15	1,559,163	110,988	-	1,670,151	628,933
<b>Rupees - 2014</b>	<b>6,977,095</b>	<b>238,996</b>	<b>-</b>	<b>7,216,091</b>		<b>3,628,174</b>	<b>487,164</b>	<b>-</b>	<b>4,115,337</b>	<b>3,100,754</b>

Particulars	Cost				Rate %	Depreciation				W.D.V at 30.06.13
	As on 01.07.12	Additions	Adjustments/ (Deletion)	As at 30.06.13		As on 01.07.12	For the year	Adjustments Dr/(Cr)	As at 30.06.13	
<b>Owned</b>										
Office building	1,175,000	1,400,000	-	2,575,000	10	318,425	201,875	-	520,300	2,054,700
Furniture and fixtures	796,724	34,200	-	830,924	15	534,364	43,613	-	577,977	252,947
Air conditioners	185,663	37,824	-	223,487	15	136,774	12,043	-	148,817	74,670
Office equipments	48,990	-	-	48,990	15	40,155	8,075	-	48,230	760
Motor cycle	167,925	-	-	167,925	15	114,092	1,325	-	115,417	52,508
Electronic equipments	107,920	9,500	-	117,420	15	79,769	5,406	-	85,175	32,245
Computers	539,297	91,250	-	630,547	30	489,341	35,462	-	524,803	105,744
Generator	19,100	-	-	19,100	15	14,140	744	-	14,884	4,216
Telephone installation	39,818	24,800	-	64,618	15	28,645	4,764	-	33,409	31,209
Motor vehicle - owned	2,299,084	-	-	2,299,084	15	1,428,589	130,574	-	1,559,163	739,921
<b>Rupees - 2013</b>	<b>5,379,521</b>	<b>1,597,574</b>	<b>-</b>	<b>6,977,095</b>		<b>3,184,292</b>	<b>443,881</b>	<b>-</b>	<b>3,628,174</b>	<b>3,348,921</b>

<b>9. <u>Long term deposits</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Security deposits with:	<b>(Rupees)</b>	<b>(Rupees)</b>
Islamabad Stock Exchange Limited	390,000	390,000
National Clearing Company of Pakistan Limited	300,000	300,000
Mobile phones	20,000	20,000
	<b><u>710,000</u></b>	<b><u>710,000</u></b>

<b>10. <u>Intangible assets</u></b>			
Trading Right Entitlement Certificate (TREC)	(11.1)	4,000,000	4,000,000
		<b><u>4,000,000</u></b>	<b><u>4,000,000</u></b>

**11. Short tem investment - available for sale**

**Financial assets at fair value through profit or loss- Held for trading:**

Islamabad Stock Exchange Limited	(11.1)	30,346,030	30,346,030
Investment in quoted equity securities	(17)	95,238,735	-
		<b><u>125,584,765</u></b>	<b><u>30,346,030</u></b>

11.1) Pursuant to the promulgation of the Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012 (The 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 ISEL and Trading Right Entitlement Certificate (TREC) in lieu of membership card of ISE. The company entitlement in respect of ISEL shares is determined on the basis of valuation of assets and liabilities of ISE as approved by SECP and the company has been allotted 3,034,603 shares of the face value of Rs 10/= each. These includes 60% shares of ISEL, held in separate CDC blocked account to restrict the sale of these shares by the members whereas stock exchange will dispose off these shares under the provisions of the Act, however the proceeds of these shares and right to dividend/bonus are vested with the company whereas voting rights attached to these shares are suspended.

In the absence of an active market for TREC, the company has taken the cost of TREC at Rs 4.000 million, which is the value approved by the Board of Directors of ISEL and intimated to SECP. This fact indicates an acceptable level of value for TREC which is also used by the Stock Exchange for risk management and to safeguard the investors' interest.

The company has recorded a surplus of Rs. 30.746 million on conversion of membership card of ISE to shares and TREC in the equity through profit and loss account during previous year.

**12. Trade receivables**

These are unsecured and considered good by the management.

Debtors against sale and purchase of shares		76,852,933	63,386,976
		<b><u>76,852,933</u></b>	<b><u>63,386,976</u></b>

**13. Loan and advances**

**Advances - unsecured & considered good**

To staff against salary		359,400	368,400
		<b><u>359,400</u></b>	<b><u>368,400</u></b>

**14. Deposits, prepayments and other receivables****Deposits**

Advance tax  
Security deposit - Central Depository Company of Pakistan Ltd.

2014 (Rupees)	2013 (Rupees)
1,170,207	316,903
75,000	75,000
<b>1,245,207</b>	<b>391,903</b>

**Prepayments:**

Insurance  
Rent

2,234	9,325
60,000	-
<b>62,234</b>	<b>9,325</b>

**Other receivables**

Due from National Clearing Company of Pakistan Limited  
Accrued income  
Other receivable

29,294,559	7,398,355
15,195	-
60,000	-
<b>29,369,754</b>	<b>7,398,355</b>
<b>30,677,195</b>	<b>7,799,583</b>

**15. Cash and bank balances**

Cash in hand  
Cash at bank - current account  
- special deposit account

165,254	143,320
859,637	4,961,644
13,719,899	2,347,366
14,579,536	7,309,010
<b>14,744,790</b>	<b>7,452,330</b>

**16. Commission income**

This represents brokerage and commission received during the year.

29,031,438	24,568,724
<b>29,031,438</b>	<b>24,568,724</b>

**17. Unrealized gain/(loss) on remeasurement of investment at fair value through profit or loss - held for trading (net)**

Market value of investment in shares  
Less: Cost of investment  
Net unrealized gain in the value of investment for the year

95,238,735	-
91,048,879	-
<b>4,189,856</b>	<b>-</b>

**18. Operating expenses**

Commission  
Staff salaries and benefits  
Directors' remuneration  
Utilities  
Office rent  
ISEL/LSEL/NCCPL trading fee  
Vehicle running and maintenance  
Office repair and maintenance  
Fee and subscription  
Central Depository Company expense  
Postage and telegram  
Printing and stationary  
Audit fee  
Entertainment  
Newspapers and periodicals  
Miscellaneous  
Legal and professional charges  
Depreciation

12,523,180	10,032,897
6,358,700	5,407,584
2,124,000	2,124,000
1,739,204	1,551,462
1,433,166	1,255,665
1,300,818	853,673
822,734	405,216
168,319	103,235
164,614	41,000
134,400	134,400
105,999	62,362
76,570	83,540
75,000	60,000
72,155	105,629
45,603	31,047
28,229	67,812
18,000	18,000
487,164	443,881
<b>27,677,855</b>	<b>22,781,403</b>

b) **Concentration of credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. All financial assets except cash in hand, are subject to credit risk. The company believes that it is not exposed to major concentration of credit risk.

c) **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and ability to close out market positions due to dynamic nature of the business. The company finances its operations through equity borrowing and the managements of working capital with a view to maintain an appropriate mix between various source of finance to minimize risk. The company's treasury aims at maintaining flexibility in funding by keeping regular committed credit lines. Management closely monitors the company's liquidity and cash flow position.

d) **Market risk**

Market risk means that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks; foreign exchange or currency risk , interest/mark - up rate risk and price risk. . The market risk associated with the company's business activities are discussed as under.

- **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Currently, the company did no transaction in foreign currencies nor have any foreign currency loans.

- **Interest mark-up rate risk**

Interest/mark-up rate risk is the risk that the value of financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest/mark-up rates 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.

- **Price risk**

Price risk represents the risk that fair value of future cash flow of financial instrument will fluctuate because of changes in market price (other than those arising from interest mark - up rate risk of currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments trade in the market. The company is not exposed to equity price risk since there are no investments made during the current fiscal year.

e) **Fair value of the financial instruments**

Fair value is the amount for which an asset can be exchanged, or liability can be settled, between knowledgeable willing parties in an arm's length transactions. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair value. ✓

23. **Related parties transactions**

Related parties comprise associated company, directors, companies with common directorship, employees retirement benefit funds and key management personnel. Transactions of the company with related parties and balance outstanding at the year end are as follows:

Entity having common directorship	<u>2014</u> (Rupees)	<u>2013</u> (Rupees)
- <b>Metropolitan Solutions (Private) Limited</b>		
Balance receivable at the beginning of the year	-	5,001
Amount adjusted against company's receipt	-	(5,001)
Balance receivable at the end of the year	-	-

23.1) The above transactions with related parties are entered into on an arm's length basis.

24. **Chief Executive and Executive' remuneration**

Description	<u>2014</u>			<u>2013</u>		
	Chief Executive	Director	Executive	Chief Executive	Director	Executive
Managerial remuneration	1,200,000	924,000	-	1,200,000	924,000	-
	-	-	-	-	-	-
	<u>1,200,000</u>	<u>924,000</u>	<u>-</u>	<u>1,200,000</u>	<u>924,000</u>	<u>-</u>
Numbers	1	2	NIL	1	2	NIL

25. **Date of authorization for**

These financial statements have been authorized for issue on **October 03, 2014** by the board of directors of the company.

  
Chief Executive

  
Director