

**AUDITORS' REPORT TO THE MEMBERS**


We have audited the annexed balance sheet of **Sherman Securities (Private) Limited** as at **June 30, 2013** and the related profit & loss account, comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standard and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that—

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion—
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investment made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2013, and of the Profit, its comprehensive income, its cash flows statement and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi  
Dated: 04 OCT 2013

  
RAHMAN SARFARAZ RAHIM IQBAL RAFIQ  
CHARTERED ACCOUNTANTS  
MUHAMMAD RAFIQ DOSANI

**SHERMAN SECURITIES (PRIVATE) LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2013**

	Note	2013 Rupees	2012
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	4	7,803,091	6,156,545
Intangible assets	5	6,991,957	23,000,000
Investment-Available for sale	6	16,008,043	
Long term deposits	7	3,750,000	3,750,000
		<b>34,553,091</b>	<b>32,906,545</b>
<b>CURRENT ASSETS</b>			
Trade debts - Considered good	8	114,418,501	107,131,980
Short term Investments	9	743,253,562	304,123,696
Advances, deposits, prepayments and other receivables	10	37,674,143	13,930,774
Advance tax		159,200	-
Cash and bank balances	11	1,329,124	3,394,775
		<b>896,834,530</b>	<b>428,581,223</b>
		<b>931,387,621</b>	<b>461,487,769</b>
<b>CAPITAL &amp; LIABILITIES</b>			
Authorized capital			
1,500,000 (2012: 500,000) ordinary shares of Rs. 100/ each		<b>150,000,000</b>	<b>50,000,000</b>
Issued, subscribed and paid up capital			
1,200,000 (2012: 500,000) ordinary shares of Rs. 100/- each fully paid in cash		<b>120,000,000</b>	<b>50,000,000</b>
Unappropriated profit		<b>438,590,073</b>	<b>242,382,507</b>
		<b>558,590,073</b>	<b>292,382,507</b>
<b>NON - CURRENT LIABILITIES</b>			
Directors' loan	12	-	53,851,275
<b>CURRENT LIABILITIES</b>			
Short term borrowings - secured	13	306,111,798	41,324,886
Trade and other payables	14	66,685,750	73,836,220
Taxation	15	-	92,881
		<b>372,797,548</b>	<b>115,253,987</b>
Contingencies and commitments	16	-	-
		<b>931,387,621</b>	<b>461,487,769</b>

The annexed notes form an integral part of these financial statements

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CHIEF EXECUTIVE

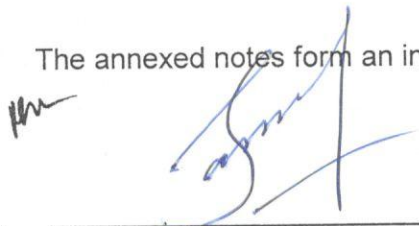
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DIRECTOR

**SHERMAN SECURITIES (PRIVATE) LIMITED  
 PROFIT & LOSS ACCOUNT  
 FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 Rupees	2012
Operating revenue	17	44,027,974	33,492,489
Capital gain / (loss) on sale of investment		175,639,642	74,846,084
Surplus/(Deficit) on remeasurement of investment	9	828,563	(390,826)
		<u>220,496,179</u>	<u>107,947,747</u>
<b>Operating Expenses</b>			
Administrative and general expenses	18	(41,083,824)	(66,795,997)
Financial charges	19	(15,144,439)	(9,263,595)
		(56,228,263)	(76,059,593)
Other income	20	15,603,973	31,603,355
Profit before taxation and WWF		<u>179,871,889</u>	<u>63,491,510</u>
Workers' welfare fund		(3,515,725)	-
Profit before taxation		<u>176,356,164</u>	<u>63,491,510</u>
Taxation			
- Current year		25,914,267	11,238,509
- Prior year		1,360,601	180,829
		(27,274,868)	(11,419,338)
Profit after taxation		<u><u>149,081,296</u></u>	<u><u>52,072,172</u></u>

The annexed notes form an integral part of these financial statements

  
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 DIRECTOR

**SHERMAN SECURITIES (PRIVATE) LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 Rupees	2012
Profit / (loss) after taxation		149,081,296	52,072,172
Other comprehensive income		117,126,270	18,328,649
Total comprehensive income / (loss) for the year		<u>266,207,566</u>	<u>70,400,821</u>

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CHIEF EXECUTIVE

DIRECTOR

**SHERMAN SECURITIES (PRIVATE) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	2013	2012
	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	176,356,164	63,491,510
<b>Adjustment for:</b>		
Depreciation	1,337,769	895,724
Deficit on remeasurement of investment	(828,563)	390,826
Financial charges	15,144,439	9,263,595
	<u>15,653,645</u>	<u>10,550,145</u>
Operating profit before working capital changes	192,009,809	74,041,655
<b>(Increase) / decrease in Current Assets</b>		
Trade debts	(7,286,521)	(1,894,755)
Advance, prepayments & other receivables	(23,743,370)	10,436,965
<b>Increase / (decrease) in Current Liabilities</b>		
Creditors, accrued and other liabilities	(7,150,469)	2,153,986
	<u>(38,180,360)</u>	<u>10,696,196</u>
Financial charges paid	(15,144,439)	(9,263,595)
Taxes paid	(27,126,993)	(10,921,481)
	<u>(42,271,432)</u>	<u>(20,185,076)</u>
Net cash generated from operating activities	<u>111,558,016</u>	<u>64,552,775</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in securities-net of Un realized gain	(321,574,989)	(96,051,795)
Purchase of property and equipments	(2,984,315)	(520,823)
Long term deposits	-	(250,000)
Net cash used in investing activities	<u>(324,559,304)</u>	<u>(96,822,618)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term loan from directors	(53,851,275)	(20,668,125)
Net cash generated from financing activities	<u>(53,851,275)</u>	<u>(20,668,125)</u>
Increase in cash and cash equivalent during the year	(266,852,563)	(52,937,969)
Cash and cash equivalent at the beginning of the year	(37,930,112)	15,007,857
Cash and cash equivalent at the end of the year	<u>(304,782,674)</u>	<u>(37,930,112)</u>
<b>Cash and cash equivalent at the end of the year comprises of the following:</b>		
Short term borrowings	(306,111,798)	(41,324,886)
Cash and bank balances	1,329,124	3,394,775
	<u>(304,782,674)</u>	<u>(37,930,112)</u>

The annexed notes form an integral part of these financial statements

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CHIEF EXECUTIVE

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DIRECTOR

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**SHERMAN SECURITIES (PRIVATE) LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2013**

	Share Capital	Unappropriated Profit Rupees	Total
Balance as at July 01, 2011	50,000,000	171,981,686	221,981,686
Total Comprehensive income for the year		70,400,821	70,400,821
<b>Balance as at June 30, 2012</b>	<b><u>50,000,000</u></b>	<b><u>242,382,507</u></b>	<b><u>292,382,507</u></b>
Balance as at July 01, 2012	50,000,000	242,382,507	292,382,507
Total Comprehensive income for the year		266,207,566	266,207,566
Bonus Shares Issued @ 140%	70,000,000.00	(70,000,000)	-
<b>Balance as at June 30, 2013</b>	<b><u>120,000,000</u></b>	<b><u>438,590,073</u></b>	<b><u>558,590,073</u></b>

The annexed notes form an integral part of these financial statements

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CHIEF EXECUTIVE

  
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DIRECTOR

**SHERMAN SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**1 STATUS AND NATURE OF BUSINESS**

Sherman Securities (Private) Limited was incorporated under Companies ordinance, 1984 on 15th July 2002 as a private limited company. The Company is corporate member of Karachi Stock Exchange (Guarantee) Limited. The registered office of the company is located at room no. 501 and 502 5th floor continental trade centre, G/ 6 block 8, main clifton road karachi. The principal activities of the company are to carry on the business of share brokerage, underwriting of public issues, investment in public securities and portfolio management.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

**2.2 Basis of measurement**

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

**2.3 Functional and presentation currency**

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

**2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with approved financial reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

- a) Standards, amendments to published standards and interpretations that are effective in year beginning from July 01,2013 and are relevant to the Company:

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- IAS 24 (revised), 'Related Party Disclosures', effective from January 1, 2013. The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company's financial statements.

Amendments to "IFRS 7 Financial Instruments", Applies to annual periods beginning on or after 1 July 2013 The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in (not addressed above). These amendments are unlikely to have any impact on the company's financial statements and therefore have not been analyzed in detail.

- b) Standards, amendments to published standards and interpretations that are effective in 2013 but not relevant to the Company:

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 01, 2013 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and therefore have not been analyzed in detail.

- c) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

Following new standards, amendments and interpretation to existing standards have been issued but are not effective for the financial year beginning July 1, 2013 and have not been early adopted by the Company:

- IAS 1 'Presentation of financial statements' (Amendment) effective for annual periods beginning on or after July 1, 2012.
- IAS 19 Employee benefits (Amendment) effective for periods beginning on or after January 1, 2013.
- IFRS 10, 'Consolidation financial statements', effective for periods beginning on or after January 1, 2013.
- IFRS 12, 'Disclosure of interests in other entities', effective for annual periods beginning on or after January 1, 2013.
- IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after January 1, 2013.
- IAS 27 "Separate Financial Statements", applicable to annual reporting periods beginning on or after 1 January 2013
- IAS 28 "Investments in Associates and Joint Ventures", applicable to annual reporting periods beginning on or after 1 January 2013,
- IFRS 9 "Financial Instruments", Applies on a modified retrospective basis to annual periods beginning on or after 1 January 2015.

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- Amendments in IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities , Applicable to annual periods beginning on or after 1 January 2013 and interim periods within those periods
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32), Applicable to annual periods beginning on or after 1 January 2014:

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. Applicable to annual periods beginning on or after 1 January 2013

IAS 32 Financial Instruments: Presentation - Applicable to annual periods beginning on or after 1 January 2013 ,is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.

IAS 34 Interim Financial Reporting is amended, Applicable to annual periods beginning on or after 1 January 2013, to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments.

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12), Applicable to annual periods beginning on or after 1 January 2012 Amends IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale.

### **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.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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.

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## **Membership cards and offices**

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

## **Computer software**

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

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

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

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

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

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

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

### **3.4 Financial assets**

#### **3.4.1 Classification**

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

##### **a) Loans and receivables**

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

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

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

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**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.

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### 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.

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## 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.

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### 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 AND EQUIPMENT

	Building	Furniture & Fixures	Office Equipment	Compter	Vehicles	Total
Rupees						
<b>Year ended June 30, 2012</b>						
Opening net book value	4,117,049	574,567	792,682	959,382	87,766	6,531,446
Additions during the year	-	-	192,192	127,631	201,000	520,823
Disposals / transfers	-	-	-	-	-	-
Depreciation for the year	(411,705)	(57,457)	(89,162)	(299,747)	(37,653)	(895,724)
<b>Closing net book value</b>	<b>3,705,344</b>	<b>517,110</b>	<b>895,711</b>	<b>787,266</b>	<b>251,113</b>	<b>6,156,545</b>
<b>As at June 30, 2012</b>						
Cost	7,746,953	1,381,170	1,917,940	6,590,091	535,800	18,171,954
Accumulated depreciation	(4,041,609)	(864,060)	(1,022,229)	(5,802,825)	(284,687)	(12,015,409)
<b>Closing net book value</b>	<b>3,705,344</b>	<b>517,110</b>	<b>895,711</b>	<b>787,266</b>	<b>251,113</b>	<b>6,156,545</b>
<b>Year ended June 30, 2013</b>						
Opening net book value	3,705,344	517,110	895,711	787,266	251,113	6,156,545
Additions during the year	-	-	-	-	2,984,315	2,984,315
Disposals / transfers	-	-	-	-	-	-
Depreciation for the year	(370,534)	(51,711)	(89,571)	(236,180)	(589,773)	(1,337,769)
<b>Closing net book value</b>	<b>3,334,809</b>	<b>465,399</b>	<b>806,140</b>	<b>551,086</b>	<b>2,645,655</b>	<b>7,803,091</b>
<b>As at June 30, 2013</b>						
Cost	7,746,953	1,381,170	1,917,940	6,590,091	3,520,115	21,156,269
Accumulated depreciation	(4,412,144)	(915,771)	(1,111,800)	(6,039,005)	(874,460)	(13,353,178)
<b>Closing net book value</b>	<b>3,334,809</b>	<b>465,399</b>	<b>806,140</b>	<b>551,086</b>	<b>2,645,655</b>	<b>7,803,091</b>
Annual rates of depreciation	10%	10%	10%	30%	20%	

### 5 INTANGIBLE ASSETS

Membership cards, rights and privileges:

	2013	2012
- Karachi Stock Exchange (Guarantee) Ltd		22,000,000
- Trading Rights Entitlement (TRE) Certificate	<b>5,991,957</b>	
- Pakistan Mercantile Exchange Company Ltd	<b>1,000,000</b>	1,000,000
	<b>6,991,957</b>	<b>23,000,000</b>

### 6 INVESTMENT-AVAILABLE FOR SALE

Investment in shares of Karachi Stock Exchange Limited	<b>16,008,043</b>	-
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Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Stock Exchanges (Corporatisation, Demutualization and Integration) Act 2012 (ACT). The ownership in a stock exchange has been segregated from the right to trade on the exchange. Accordingly, the Company has received equity shares of Karachi Stock Exchange limited (KSEL) and a Trading Right Entitlement Certificate (TREC) 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;

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

		2013	2012
		Rupees	
<b>7</b>	<b>LONG TERM DEPOSITS</b>		
	Karachi Stock Exchange (Guarantee) Ltd	850,000	850,000
	National Clearing Company of Pakistan Ltd	300,000	300,000
	Central Depository Company of Pakistan Ltd	100,000	100,000
	Pakistan Mercantile Exchange Company Ltd 7.1	2,500,000	2,500,000
		<u>3,750,000</u>	<u>3,750,000</u>

7.1 This represent the deposit paid for office of Pakistan Mercantile Exchange Company Limited.

- 8 These trade debts are secured upto extent of Rs 70 million.

		2013	2012
		Rupees	
<b>9</b>	<b>SHORT TERM INVESTMENTS</b>		
	9.1	743,253,562	302,617,692
	9.2	-	1,506,004
<b>9.1</b>	<b>Available for Sale</b>		
	Cost of shares investment	607,798,643	284,289,043
	<b>Changes due to fair Market Value</b>		
	Opening	18,328,649	-
	During the year	117,126,270	18,328,649
		<u>135,454,919</u>	<u>18,328,649</u>
		<u>743,253,562</u>	<u>302,617,692</u>

*nm*

	2013	2012
	Rupees	
<b>9.2 At fair value through profit and loss</b>		
Cost of shares investment	-	2,334,567
<b>Changes due to fair Market Value</b>		
Opening	(828,563)	(43,773,760)
Realised during the year	828,563	43,336,023
During the year	-	(390,826)
	-	(828,563)
	-	1,506,004

**10 ADVANCES, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES**

**Advances**

Advances to staff	860,500	161,500
Prepaid expense	100,000	100,000
NCCS and future control account	16,956,190	3,211,820
Other advances	-	300,000
	17,916,690	3,773,321
<b>Deposits</b>		
Deposits - KSE	19,740,000	10,140,000
Other deposits	17,453	17,453
	37,674,143	13,930,774

**11 CASH AND BANK BALANCES**

Cash in hand	184,725	51,420
<b>Cash at bank:</b>		
- current account	1,144,399	3,313,036
- saving account		30,318
	1,329,124	3,394,775

**12 DIRECTORS' LOAN**

12.1 This represent interest free loan from the sponsoring director.

**13 SHORT TERM BORROWINGS - SECURED**

The Company obtained running finance facility for working capital requirement under mark-up arrangements of Rs. 300 million (2012: 300 million) from banking institution, having markup ranging from 3 months KIBOR + 2% (2012: KIBOR + 2%) on daily product basis payable quarterly. The Company pledge shares in the favor of banking institution at 40% margin.

	2013	2012
	Rupees	
<b>14 TRADE AND OTHER PAYABLES</b>		
Creditors	56,385,678	72,931,341
Accrued liabilities	5,466,583	-
Federal excise duty	1,309,702	451,164
Workers' welfare fund	3,523,788	153,715
Other liabilities	-	300,000
	66,685,750	73,836,220

**15 TAXATION**

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credit and tax rebates available, if any or one percent of turnover whichever is higher.

**16 CONTINGENCIES AND COMMITMENTS**

There are no material commitments as at June 30,2013 (June 30,2012: Nil).



		2013	2012
		Rupees	
<b>17</b>	<b>OPERATING REVENUE</b>		
	Commission Income	43,991,181	33,473,463
	Commission on new shares subscription	500	-
	Income through Applied CDC Charges	36,293	19,026
		<u>44,027,974</u>	<u>33,492,489</u>
<b>18</b>	<b>ADMINISTRATIVE AND GENERAL EXPENSES</b>		
	Salaries, benefits and allowances	9,761,240	6,648,510
	Directors' remuneration	5,700,000	6,175,000
	Advertisement expense	96,200	528,200
	Bad debts and advances Written off	9,437,245	39,107,585
	KSE / NCCL electricity and service charges	3,879,653	4,165,734
	C.D.C charges	1,826,661	1,298,736
	Printing and stationery	256,370	157,260
	Fees and subscription	1,696,199	859,713
	Communication expenses	1,714,279	1,650,224
	Audit Fees	400,000	400,000
	Vehicle running expenses	146,450	104,764
	Travelling and conveyance expenses	164,005	5,116
	Entertainment expenses	398,237	437,575
	Repair and Maintenance	379,455	289,718
	Electricity charges	750,711	794,270
	Depreciation	4	1,337,769
	General expenses	569,149	895,724
	Donation	18.1	1,968,000
	Legal and professional charges	602,200	1,930,000
		<u>41,083,824</u>	<u>66,795,997</u>

18.1 None of the directors and their spouse are interested in the donee's fund

		2013	2012
		Rupees	
<b>19</b>	<b>FINANCIAL CHARGES</b>		
	Mark up on short term running finances	15,007,941	9,189,047
	Bank charges	136,498	74,548
		<u>15,144,439</u>	<u>9,263,595</u>
<b>20</b>	<b>OTHER INCOME</b>		
	Profit on cash margin on future contract	825,791	1,204,852
	Dividend income	14,766,293	29,618,720
	Interest income	11,889	779,783
		<u>15,603,973</u>	<u>31,603,355</u>

**21 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amounts charged in the financial statements for remuneration, including certain benefits to Directors, Chief Executive and Executives of the Company, are as follows:

	Chief Executive		Directors	
	2013	2012	2013	2012
	Rupees			
Managerial remuneration	1,140,000	1,140,000	4,560,000	4,560,000
Bonus	-	95,000	-	380,000
Retirement benefits	-	-	-	-
	<u>1,140,000</u>	<u>1,235,000</u>	<u>4,560,000</u>	<u>4,940,000</u>
Number of persons	1	1	4	4

## 22 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over other party in making financial and operating decisions.

The related parties comprise of major shareholders, associated companies with or without common directors, directors of the company and key management personnel, staff provident fund, and financial institution having nominee on the Board of Directors.

There is no related party transaction other than remuneration to directors as disclosed in note 21.

## 23 FINANCIAL RISK MANAGEMENT

### 23.1 Financial Risk Factors

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

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

#### a) Market Risk

##### i) Currency risk

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

##### ii) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 743 million (2012: Rs. 304 million) at the reporting date. The Company manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

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

#### Sensitivity analysis

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

The table below summarizes Company's equity price risk as of 30 June 2013 and 2012 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Company's equity investment portfolio.

		Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase (decrease) in shareholders' equity	Hypothetical increase (decrease) in profit / (loss) after tax
June 30, 2013	Rupees	743,253,562	10% increase	817,578,918	74,325,356	-
June 30, 2012	Rupees	302,617,692	10% increase	332,879,461	30,261,769	-

### Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not effect fair value of any financial instrument.

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

	2013	2012	2013	2012
	Effective interest rate (%)		Carrying amounts	
<b>Financial assets</b>				
Bank deposits - savings account	-	6% to 12%	-	30,318
<b>Financial liabilities</b>				
Short term Borrowing	12.5% to 14%	12.5% to 14%	306,111,798	41,324,886

### b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, possibility of default by investors, and or failure of the financial markets, depositors, settlements or clearing system etc.

#### Exposure to credit risk

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

	Note	Carrying amount	
		2013	2012
		Rupees	
Long term deposits		3,750,000	3,750,000
Trade debts		114,418,501	107,131,980
Advances, Trade deposits and other recieveables		37,674,143	13,930,774
Cash and bank balances		1,329,124	3,394,775
		<u>157,171,768</u>	<u>128,207,528</u>

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:

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.1.32 million (2012: Rs. 3.39 million) as disclosed in Note 11 and unutilized credit lines of NIL.

**23.2 Fair value estimate**

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

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

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

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

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

June 30, 2013	Level 1	Level 2	Level 3	Total
	----- Amount in Rupees -----			
<b>Financial assets</b>				
-Financial assets-Available for Sale				
Quoted equities	743,253,562	-	-	743,253,562
-Financial assets at fair value through profit or loss				
Quoted equities	-	-	-	-
	743,253,562	-	-	743,253,562
	743,253,562	-	-	743,253,562
June 30, 2012	Level 1	Level 2	Level 3	Total
	----- Amount in Rupees -----			
<b>Financial assets</b>				
-Financial assets-Available for Sale				
Quoted equities	302,617,692	-	-	302,617,692
-Financial assets at fair value through profit or loss				
Quoted equities	1,506,004	-	-	1,506,004
	304,123,696	-	-	304,123,696
	304,123,696	-	-	304,123,696

### 23.3 Financial instruments by category

<i>Amounts in Rupees</i>					
As at June 30, 2013 Financial assets as per balance sheet	Available for sale financial assets	Financial Assets at Fair value	Loans and receivables	Cash and bank	Total
Long term deposits	-	-	3,750,000	-	3,750,000
Short term Investments	743,253,562	-	-	-	743,253,562
Trade debts	-	-	114,418,501	-	114,418,501
Cash and bank balances	-	-	-	1,329,124	1,329,124
	<u>743,253,562</u>	<u>-</u>	<u>118,168,501</u>	<u>1,329,124</u>	<u>862,751,186</u>
 <b>As at June 30, 2013</b> Financial liabilities as per balance sheet					<b>Financial liabilities at amortized</b>
Trade creditors, accrued expenses and other liabilities					<u>66,685,750</u>
Short term borrowing					<u>306,111,798</u>
					<u>372,797,548</u>

<i>Amounts in Rupees</i>					
As at June 30, 2012 Financial assets as per balance sheet	Available for sale financial assets	Financial Assets at Fair value	Loans and receivables	Cash and bank	Total
Long term deposits	-	-	3,750,000	-	3,750,000
Short term Investments	302,617,692	1,506,004	-	-	304,123,696
Trade debts	-	-	107,131,980	-	107,131,980
Cash and bank balances	-	-	-	3,394,775	3,394,775
	<u>302,617,692</u>	<u>1,506,004</u>	<u>110,881,980</u>	<u>3,394,775</u>	<u>418,400,450</u>
 <b>As at June 30, 2012</b> Financial liabilities as per balance sheet					<b>Financial liabilities at amortized</b>
Trade creditors, accrued expenses and other liabilities					<u>73,836,220</u>
Short term Borrowing					<u>41,324,886</u>
					<u>115,161,106</u>

### 24 CAPITAL RISK MANAGEMENT

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

#### 24.1 Corresponding figures

The comparative figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison in the financial statements. The company has designated short term investments acquired during the year at Available for sale as allowed under IAS 39. No material Re-classification, other than as disclosed above, has been made during the year.

### 25 APPROVAL OF FINANCIAL STATEMENTS

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

### 26 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