

AUDITED FINANCIAL STATEMENTS
SHERMAN SECURITIES (PRIVATE) LIMITED
FOR THE YEAR ENDED
JUNE 30, 2014

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Sherman Securities (Private) Limited** as at **June 30, 2014** and the related profit & loss account, comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion—
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investment made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2014, and of the loss, 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.

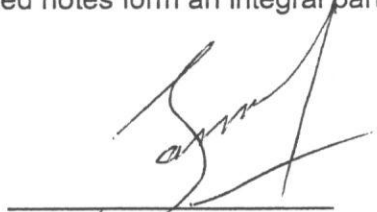
Rahman Sarfaraz Rahim Iqbal Rafiq
RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS
MUHAMMAD RAFIQ DOSANI

SHERMAN SECURITIES (PRIVATE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2014

	Note	2014	2013
		Rupees	
ASSETS			
NON CURRENT ASSETS			
Property and equipment	4	12,735,157	7,803,091
Intangible assets	5	6,991,957	6,991,957
Investment-Available for sale	6	16,008,043	16,008,043
Long term deposits	7	3,750,000	3,750,000
		39,485,157	34,553,091
CURRENT ASSETS			
Trade debts - Considered good	8	42,474,649	114,418,501
Short term Investments	9	806,480,691	743,253,562
Advances, deposits, prepayments and other receivables	10	33,943,556	37,674,143
Advance tax		16,021,900	159,200
Cash and bank balances	11	17,438,067	1,329,124
		916,358,864	896,834,530
		955,844,021	931,387,621
CAPITAL & LIABILITIES			
Authorized capital			
1,500,000 (2013: 1,500,000) ordinary shares of Rs. 100/ each		150,000,000	150,000,000
Issued, subscribed and paid up capital			
1,200,000 (2013: 1,500,000) ordinary shares of Rs. 100/- each fully paid in cash		120,000,000	120,000,000
Unappropriated profit		463,336,530	438,590,073
		583,336,530	558,590,073
CURRENT LIABILITIES			
Short term borrowings - secured	12	296,610,012	306,111,798
Trade and other payables	13	75,897,479	66,685,751
		372,507,491	372,797,548
Contingencies and commitments	14	-	-
		955,844,021	931,387,621

The annexed notes form an integral part of these financial statements

M



CHIEF-EXECUTIVE



DIRECTOR

**SHERMAN SECURITIES (PRIVATE) LIMITED
 PROFIT & LOSS ACCOUNT
 FOR THE YEAR ENDED JUNE 30, 2014**

	2014	2013
Note	Rupees	Rupees
Operating revenue	15 60,284,878	44,027,974
Capital gain / (loss) on sale of investment	(6,821,271)	175,639,642
Surplus/(Deficit) on remeasurement of investment	9 -	828,563
	<u>53,463,607</u>	<u>220,496,179</u>
Operating Expenses		
Administrative and general expenses	16 (51,263,801)	(41,083,824)
Financial charges	17 (22,838,164)	(15,144,439)
	(74,101,965)	(56,228,263)
Other income	18 19,052,742	15,603,973
Profit before taxation and WWF	(1,585,616)	179,871,889
Workers' welfare fund	(718,704)	(3,515,725)
Profit before taxation	(2,304,321)	176,356,164
Taxation		
- Current year	4,074,893	25,914,267
- Prior year	(3,448,863)	1,360,601
	(626,030)	(27,274,868)
Profit/(loss) after taxation	<u>(2,930,351)</u>	<u>149,081,296</u>

The annexed notes form an integral part of these financial statements


 CHIEF EXECUTIVE


 DIRECTOR

SHERMAN SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

Note	2014 Rupees	2013
Profit / (loss) after taxation	(2,930,351)	149,081,296
Other comprehensive income	27,676,807	117,126,270
Total comprehensive income / (loss) for the year	<u>24,746,456</u>	<u>266,207,566</u>

The annexed notes form an integral part of these financial statements

NSM



CHIEF EXECUTIVE



DIRECTOR

SHERMAN SECURITIES (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	(2,304,321)	176,356,164
Adjustment for:		
Depreciation	2,238,453	1,337,769
Loss on disposal of fixed asset	208,381	-
Deficit on remeasurement of investment	-	(828,563)
Financial charges	22,838,164	15,144,439
Operating profit before working capital changes	25,284,998	15,653,645
(Increase) / decrease in Current Assets		
Trade debts	71,943,852	(7,286,521)
Advance, prepayments & other receivables	3,730,587	(23,743,370)
Increase / (decrease) in Current Liabilities		
Creditors, accrued and other liabilities	9,211,729	(7,150,469)
Financial charges paid	84,886,167	(38,180,360)
Taxes paid	(22,838,164)	(15,144,439)
	(16,488,729)	(27,126,993)
Net cash generated from operating activities	68,539,951	111,558,016
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in securities-net of Un realized gain	(35,550,323)	(321,574,989)
Purchase of property and equipments	(8,378,900)	(2,984,315)
Sale Proceeds from diposal of fixed assets	1,000,000	-
Long term deposits	-	-
Net cash used in investing activities	(42,929,223)	(324,559,304)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loan from directors	-	(53,851,275)
Net cash generated from financing activities	-	(53,851,275)
Increase in cash and cash equivalent during the year	25,610,728	(266,852,563)
Cash and cash equivalent at the beginning of the year	(304,782,674)	(37,930,112)
Cash and cash equivalent at the end of the year	(279,171,944)	(304,782,674)
Cash and cash equivalent at the end of the year comprises of the following:		
Short term borrowings	(296,610,012)	(306,111,798)
Cash and bank balances	17,438,067	1,329,124
	(279,171,944)	(304,782,674)

The annexed notes form an integral part of these financial statements

AM


CHIEF EXECUTIVE

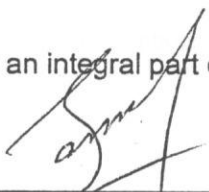

DIRECTOR

**SHERMAN SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014**

	Share Capital	Unappropriated Profit Rupees	Total
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)	-
Balance as at June 30, 2013	<u>120,000,000</u>	<u>438,590,073</u>	<u>558,590,073</u>
Balance as at July 01, 2013	120,000,000	438,590,073	558,590,073
Total Comprehensive income for the year	-	24,746,456	24,746,456
Balance as at June 30, 2014	<u>120,000,000</u>	<u>463,336,530</u>	<u>583,336,530</u>

The annexed notes form an integral part of these financial statements

NA



CHIEF EXECUTIVE



DIRECTOR

**SHERMAN SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014**

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:

NA



- 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.
- 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

OK

[Signature]

[Signature]

- 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.

Membership cards and offices

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

Computer software

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

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

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

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

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

3.3 Impairment of non-financial assets

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

3.4 Financial assets

3.4.1 Classification

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

a) Loans and receivables

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

b) Held to maturity financial assets

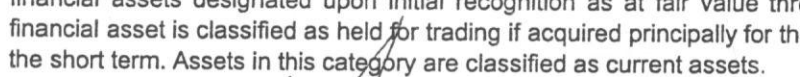
Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity.

c) Available-for-sale financial assets

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

d) Financial assets at fair value through profit or loss

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



3.4.2 Recognition and measurement

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

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

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

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

3.4.3 Impairment of financial assets

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

3.5 Offsetting financial instruments

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

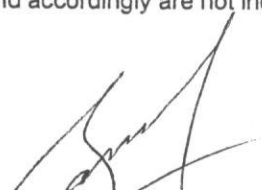
3.6 Trade debts and other receivables

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

3.7 Fiduciary assets

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

NA



3.8 Cash and cash equivalents

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

3.9 Share capital

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

3.10 Borrowings

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

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

3.11 Trade and other payables

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

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

3.12 Taxation

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

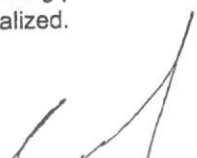
Current

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

Deferred

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

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



3.13 Provisions

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

3.14 Financial instruments

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

3.15 Foreign currency transactions and translation

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

3.16 Revenue recognition

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

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

3.17 Borrowing costs

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

Mu



4 PROPERTY AND EQUIPMENT

	Building	Furniture & Fixtures	Office Equipment	Computer	Vehicles	Total
Rupees						
Year ended June 30, 2013						
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)
Closing net book value	<u>3,334,809</u>	<u>465,399</u>	<u>806,140</u>	<u>551,086</u>	<u>2,645,655</u>	<u>7,803,091</u>
As at June 30, 2013						
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)
Closing net book value	<u>3,334,809</u>	<u>465,399</u>	<u>806,140</u>	<u>551,086</u>	<u>2,645,655</u>	<u>7,803,091</u>
Year ended June 30, 2014						
Opening net book value	3,334,809	465,399	806,140	551,086	2,645,655	7,803,091
Additions during the year	-	-	101,341	175,974	8,101,585	8,378,900
Disposals / transfers	-	-	-	-	(1,208,381)	(1,208,381)
Depreciation for the year	(333,481)	(46,540)	(90,748)	(218,118)	(1,549,566)	(2,238,453)
Closing net book value	<u>3,001,328</u>	<u>418,859</u>	<u>816,733</u>	<u>508,942</u>	<u>7,989,293</u>	<u>12,735,157</u>
As at June 30, 2014						
Cost	7,746,953	1,381,170	2,019,281	6,766,065	9,949,200	27,862,669
Accumulated depreciation	(4,745,625)	(962,311)	(1,202,548)	(6,257,123)	(1,959,907)	(15,127,512)
Closing net book value	<u>3,001,328</u>	<u>418,859</u>	<u>816,733</u>	<u>508,942</u>	<u>7,989,293</u>	<u>12,735,157</u>
Annual rates of depreciation	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>30%</u>	<u>20%</u>	

5 INTANGIBLE ASSETS	2014	2013
	Rupees	
Membership cards, rights and privileges:		
- Karachi Stock Exchange (Guarantee) Ltd		
- Trading Rights Entitlement (TRE) Certificate	5,991,957	5,991,957
- Pakistan Mercantile Exchange Company Ltd	1,000,000	1,000,000
	<u>6,991,957</u>	<u>6,991,957</u>

6 INVESTMENT-AVAILABLE FOR SALE

Investment in shares of Karachi Stock Exchange Limited	<u>16,008,043</u>	<u>16,008,043</u>
--	-------------------	-------------------

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

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

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

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

10

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.

KSEL through a notice, instructed all TRE Certificate holders to maintain / comply with Base Minimum Capital (BMC) requirement under Regulations Governing Risk Management of KSEL ("the Regulations") in the form calculated in the schedule – 1 to the above Regulations. Total BMC requirement determined by the Board of Directors of KSEL in their meeting held on 10 December 2012 was Rs. 30.955 million for each individual TRE certificate holder. Accordingly, the Company has complied with the above requirement in the following manner:

- 1 Creating mortgage or charge over TRE Certificate amounting to Rs. 15 million being notional value assigned / decided by KSEL.
- 2 Pledging / Lien marked over 40% shares (No. of shares: 1,602,953) of KSEL amounting to Rs. 15.955 million.

		2014	2013
		Rupees	
7	LONG TERM DEPOSITS		
	Karachi Stock Exchange (Guarantee) Ltd	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	2,500,000	2,500,000
	7.1	<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 40 million.

		2014	2013
		Rupees	
9	SHORT TERM INVESTMENTS		
		806,480,691	743,253,562
		-	-
9.1	Available for Sale		
	Cost of shares investment	643,348,966	607,798,643
	Changes due to fair Market Value		
	Opening	135,454,919	18,328,649
	During the year	27,676,807	117,126,270
		<u>163,131,726</u>	<u>135,454,919</u>
		<u>806,480,691</u>	<u>743,253,562</u>
9.2	At fair value through profit and loss		
	Cost of shares investment	-	-
	Changes due to fair Market Value		
	Opening	-	(828,563)
	Realised during the year	-	828,563
	During the year	-	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

NR

	2014	2013
	Rupees	
10 ADVANCES, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES		
Advances		
Advances to staff	3,306,000	860,500
Prepaid expense	100,000	100,000
NCCS and future control account	8,717,643	16,956,190
Other advances	62,460	-
	12,186,103	17,916,690
Deposits		
Deposits - KSE	21,740,000	19,740,000
Other deposits	17,453	17,453
	33,943,556	37,674,143

11 CASH AND BANK BALANCES

Cash in hand	194,669	184,725
Cash at bank:		
- current account	17,243,398	1,144,399
- saving account	-	-
	17,438,067	1,329,124

12 SHORT TERM BORROWINGS - SECURED

The Company obtained running finance facility for working capital requirement under mark-up arrangements of Rs. 300 million (2013: 300 million) from banking institution, having markup ranging from 3 months KIBOR + 2% (2013: KIBOR + 2%) on daily product basis payable quarterly. The Company pledge shares in the favor of banking institution at 40% margin.

	2014	0	2013
	Rupees		
13 TRADE AND OTHER PAYABLES			
Creditors	62,795,692		56,385,678
Accrued liabilities	7,869,934		5,466,583
Federal excise duty	765,142		1,309,702
Other liabilities	4,368,711		3,523,788
	75,799,479		66,685,751

14 CONTINGENCIES AND COMMITMENTS

There are no material commitments as at June 30,2014 (June 30,2013: Nil).

	2014	2013
	Rupees	
15 OPERATING REVENUE		
Commission Income	59,554,796	43,991,181
Commission on new shares subscription	351,036	500
Income through Applied CDC Charges	379,046	36,293
	60,284,878	44,027,974

an

[Signature]

[Signature]

16 ADMINISTRATIVE AND GENERAL EXPENSES	Notes	2014	2013
		Rupees	
Salaries, benefits and allowances		18,942,518	9,761,240
Directors' remuneration		7,841,680	5,700,000
Advertisement expense		84,535	96,200
Bad debts and advances Written off		-	9,437,245
KSE / NCCL electricity and service charges		9,099,557	3,879,653
C.D.C charges		2,851,131	1,826,661
Printing and stationery		223,950	256,370
Fees and subscription		494,876	1,696,199
Communication expenses		2,008,962	1,714,279
Audit Fees		500,000	400,000
Vehicle running expenses		269,960	146,450
Travelling and conveyance expenses		165,950	164,005
Entertainment expenses		1,064,267	398,237
Repair and Maintenance		578,364	379,455
Electricity charges		630,308	750,711
Depreciation	4	2,238,453	1,337,769
General expenses		857,290	569,149
Donation	18.1	3,055,000	1,968,000
Legal and professional charges		357,000	602,200
		<u>51,263,801</u>	<u>41,083,824</u>

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

17 FINANCIAL CHARGES	2014	2013
	Rupees	
Mark up on short term running finances	22,728,770	15,007,941
Bank charges	109,394	136,498
	<u>22,838,164</u>	<u>15,144,439</u>
18 OTHER INCOME		
Profit on cash margin on future contract	1,705,614	825,791
Dividend income	17,548,145	14,766,293
Loss on disposal of fixed assets	(208,381)	-
Interest income	7,364	11,889
	<u>19,052,742</u>	<u>15,603,973</u>

19 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	
	2014	2013	2014	2013
	Rupees			
Managerial remuneration	1,568,335	1,140,000	6,273,341	4,560,000
Bonus	-	-	-	-
Retirement benefits	-	-	-	-
	<u>1,568,335</u>	<u>1,140,000</u>	<u>6,273,341</u>	<u>4,560,000</u>
Number of persons	1	1	4	4

NR

20 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 19.

21 FINANCIAL RISK MANAGEMENT

21.1 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. 806 million (2013: Rs. 743 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 20.5% during the financial year.

The table below summarizes Company's equity price risk as of 30 June 2014 and 2013 and shows the effects of a hypothetical 10% increase 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.

NR

		Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase (decrease) in shareholders' equity	Hypothetical increase (decrease) in profit / (loss) after tax
June 30, 2014	Rupees	806,480,691	10% increase	887,128,760	80,648,069	-
June 30, 2013	Rupees	743,253,562	10% increase	817,578,918	74,325,356	-

Sensitivity analysis

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

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

	2014	2013	2014	2013
	Effective interest rate (%)		Carrying amounts	
Financial assets				
Bank deposits - savings account	-	-	-	-
Financial liabilities				
Short term Borrowing	12.5% to 14%	12.5% to 14%	296,610,012	306,111,798

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 2014 Rupees	2013
Long term deposits		3,750,000	3,750,000
Trade debts		42,474,649	114,418,501
Advances, Trade deposits and other recieveables		33,943,556	37,674,143
Cash and bank balances		17,438,067	1,329,124
		<u>97,606,273</u>	<u>157,171,768</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.

Jan

[Handwritten signatures]

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.17.43 million (2013: Rs. 1.32 million) as disclosed in Note 11 and unutilized credit lines of NIL.

21.2 Fair value estimate

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

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

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

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

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

June 30, 2014	Level 1	Level 2	Level 3	Total
	----- Amount in Rupees -----			
Financial assets				
-Financial assets-Available for Sale				
Quoted equities	806,480,691	-	-	806,480,691
-Financial assets at fair value through profit or loss				
Quoted equities	-	-	-	-
	806,480,691	-	-	806,480,691
June 30, 2013				
	----- Amount in Rupees -----			
Financial assets				
-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

21.3 Financial instruments by category

<i>Amounts in Rupees</i>					
As at June 30, 2014	Available for sale financial assets	Financial Assets at Fair value	Loans and receivables	Cash and bank	Total
<i>Financial assets as per balance sheet</i>					
Long term deposits	-	-	3,750,000	-	3,750,000
Short term investments	806,480,691	-	-	-	806,480,691
Trade debts	-	-	42,474,649	-	42,474,649
Cash and bank balances	-	-	-	17,438,067	17,438,067
	806,480,691	-	46,224,649	17,438,067	870,143,408
<i>As at June 30, 2014</i>					
<i>Financial liabilities as per balance sheet</i>					
					Financial liabilities at amortized
Trade creditors, accrued expenses and other liabilities					73,516,789
Short term borrowing					296,610,012
					<u>370,126,801</u>

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

22 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.

22.1 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.

23 NUMBER OF EMPLOYEES

The total number of employees and average number of employees at year end and during the year respectively are as follows:

	2014 (Number)	2013 (Number)
Total number of employees as at June 30	<u>29</u>	<u>29</u>
Average number of employees during the year	<u>29</u>	<u>29</u>

As

24 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on
03 OCT 2016.

25 GENERAL

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

for



CHIEF EXECUTIVE



DIRECTOR