FDM CAPITAL SECURITIES (PRIVATE) LIMITED

FOR THE YEAR ENDED

JUNE 30, 2014

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
KARACHI, LAHORE & ISLAMABAD

Russell Bedford

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **FDM 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 Profit, its comprehensive income, its cash flows statement and changes in equity for the year then ended; and

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

Karachi
Dated: 03 OCT 2014

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS
MUHAMMAD RAFIQ DOSANI

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

	Notes	2014	2013
		Rupees	
NON CURRENT ASSETS			
Property & equipment	4	22,184,204	24,863,348
Intangible assets	5	9,170,850	9,170,850
Investment-available for Sale	6	21,829,150	21,829,150
Long term investment	7	1,473,014	1,473,014
Long term deposit	8	4,215,800	4,215,800
		58,873,018	61,552,162
CURRENT ASSETS			
Trade debtors - Considered good and secured		114,992,920	97,234,797
Short term investments	9	153,680,307	122,516,170
Advances, deposits, prepayments and other receivables	10	42,867,942	6,801,179
Cash and bank balances	11	10,975,736	5,973,339
		322,516,905	232,525,485
		381,389,923	294,077,647
EQUITIES AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized Capital			
1,500,000 (2013: 1,500,000) ordinary shares of Rs. 100/ each		150,000,000	150,000,000
Issued subscribed & Paid up Capital 1,300,000 (2013: 1,300,000) ordinary shares of Rs. 100/- each fully paid in cash		130,000,000	130,000,000
Unappropriated profits		100,099,054	81,517,087
		230,099,054	211,517,087
LONG TERM LIABILITIES			
Directors' loan	12	2,500,000	2,500,000
CURRENT LIABILITIES			
Trade & other payables	13	131,810,589	41,666,364
Short term running Finance	14	16,980,280	38,394,196
		148,790,869	80,060,560
Contingencies and Commitments	15	-	-
		381,389,923	294,007,647

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

CHIEF EXECUTIVE

DIRECTOR

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

	Notes	2014	2013
		Rupees	
Operating revenue	16	46,294,683	38,552,442
Capital gain on investment-net		31,344,298	4,643,852
		77,638,981	43,196,294
Operating expenses			
Administrative expenses	17	42,613,588	40,730,299
Finance cost	18	1,186,860	657,481
		(43,800,448)	(41,387,780)
Operating profit		33,838,533	1,808,514
Other Income	19	281,637	195,392
Profit before taxation		34,120,170	2,003,906
Taxation			
-Current		(3,073,081)	(547,415)
-Prior		-	(443,061)
Profit / (loss) after taxation		31,047,089	1,013,430

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

CHIEF EXECUTIVE

DIRECTOR

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

	2014	2013
	Rupees	
Profit / (loss) after taxation	**31,047,089**	1,013,430
Surplus/(deficit) on Revaluation of Short term Investments designated as AFS	(12,465,122)	12,943,610
Total comprehensive income / (loss) for the year transferred to Equity	18,581,967	13,957,041

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE

DIRECTOR

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

	2014	2013
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	34,120,170	2,003,906
Adjustment for:		
Depreciation	2,679,144	3,053,928
Amortization	-	721,364
Finance cost	1,186,860	657,481
Cash generated from Operating activities before working capital changes	37,986,174	4,432,773
Effect of Cash flow due to working capital changes		
(Increase) /Decrease in current assets		
Trade debtors	(17,758,123)	(24,712,974)
Advances, deposits, prepayments and other receivable	(38,647,021)	3,040,006
	(56,405,144)	(21,672,968)
Increase /(Decrease) in current liabilities		
Trade & other payables	90,144,225	6,892,982
Cash (used in) / generated from operations	71,725,255	(8,343,307)
Finance cost paid	(1,186,860)	(657,481)
Tax paid	(492,822)	(1,270,859)
Net cash (used in) / generated from operating activities	70,045,573	(10,271,647)
CASH FLOWS FROM INVESTING ACTIVITIES		
Short term investments - net	(43,629,259)	(30,471,672)
Advance against IPO	-	-
Long term deposit placed	-	525,000
Net cash generated from investing activities	(43,629,259)	(29,946,672)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in cash and cash equivalents during the year	26,416,314	(40,218,319)
Cash and cash equivalents at beginning of the year	(32,420,858)	7,797,461
	(6,004,544)	(32,420,858)
Cash and cash equivalents comprises of the followings:		
Cash and bank balances	10,975,736	5,973,339
Short Term Borrowings	(16,980,280)	(38,394,196)
	(6,004,544)	(32,420,857)

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

CHIEF EXECUTIVE

DIRECTOR

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

	Share Capital	Unappropriated Profit	Total
	Rupees		
Balance as at July 01, 2012	130,000,000	67,560,046	197,560,046
Comprehensive income / (loss) for the year	-	13,957,041	13,957,041
Balance as at June 30, 2013	130,000,000	81,517,087	211,517,087
Balance as at July 01, 2013	130,000,000	81,517,087	211,517,087
Comprehensive income / (loss) for the year	-	18,581,967	18,581,967
Balance as at June 30, 2014	130,000,000	100,099,054	230,099,054

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

CHIEF EXECUTIVE

DIRECTOR

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

1 STATUS AND ACTIVITIES

FDM Capital Securities (Private) Limited ("the Company") was incorporated under the Companies Ordinance, 1984 on 29th July 2001 as a private limited company. The Company is a corporate member of Karachi Stock Exchange Limited. The registered office of the company is situated at room no. 622, Stock Exchange Building, Karachi Stock Exchange Road, Karachi. The principal activities include trading and brokerage for equities, underwriting of public issues, etc. The company has also acquired membership of the Pakistan Mercantile Exchange Limited and Dubai Gold & Commodities Exchange.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Owned

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset including borrowing costs.

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 7. Depreciation on additions is charged from the quarter in which asset is available for use and on disposals upto the quarter preceding the quarter of disposal.

3.2 Intangible assets

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

Trading Rights Entitlement (TRE) Certificate

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

Computer software

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

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

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

Computer software and license costs are stated at cost less accumulated amortization and any identified impairment loss and amortized over a period of five 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) Long Term Investment

(i) Investment in Stock Exchange

The Company has designated Investment in Stock Exchange at available for sale at initial recognition. Any subsequent changes in fair value will be recognized in other comprehensive income.

b) 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.

c) 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.

d) 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.

e) 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.

The carrying amount of the company's investment carried at cost are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exist, the recoverable amount of the asset is estimated inorder to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Impairment losses are recognized in profit and loss account.

3.5 Offsetting financial instruments

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

3.6 Trade debts and other receivables

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

3.7 Fiduciary assets

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

3.8 Cash and cash equivalents

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

3.9 Share capital

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

3.1 Borrowings

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

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

3.11 Trade and other payables

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

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

3.12 Taxation

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

Current

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

Deferred

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

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

3.13 Provisions

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

3.14 Financial instruments

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

3.15 Foreign currency transactions and translation

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

3.16 Revenue recognition

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

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

3.17 Borrowing costs

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

4 PROPERTY AND EQUIPMENT

	Furniture & fixture	Office equipments	Vehicles	Computer	Office premises	Total
				Rupees		
As at June 30 2012						
Cost	462,735	2,114,307	4,403,260	5,569,002	36,175,040	48,724,344
Accumulated depreciation	(258,345)	(848,014)	(3,476,297)	(4,721,482)	(11,502,929)	(20,807,068)
Net book value	204,390	1,266,293	926,963	847,520	24,672,111	27,917,276
Year ended June 30, 2013						
Opening net book value	204,390	1,266,293	926,963	847,520	24,672,111	27,917,276
Additions during the year	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Depreciation for the year	(20,439)	(126,629)	(185,393)	(254,256)	(2,467,211)	(3,053,928)
Closing net book value	183,951	1,139,664	741,570	593,264	22,204,900	24,863,348
As at June 30, 2013						
Cost	462,735	2,114,307	4,403,260	5,569,002	36,175,040	48,724,344
Accumulated depreciation	(278,784)	(974,643)	(3,661,690)	(4,975,738)	(13,970,140)	(23,860,996)
Net book value	183,951	1,139,664	741,570	593,264	22,204,900	24,863,348
Year ended June 30, 2014						
Opening net book value	183,951	1,139,664	741,570	593,264	22,204,900	24,863,348
Additions during the year	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Depreciation for the year	(18,395)	(113,966)	(148,314)	(177,979)	(2,220,489)	(2,679,144)
Closing net book value	202,346	1,253,630	889,884	771,243	24,425,389	22,184,204
As at June 30, 2014						
Cost	462,735	2,114,307	4,403,260	5,569,002	36,175,040	48,724,344
Accumulated depreciation	(297,179)	(1,088,610)	(3,810,004)	(5,153,717)	(16,190,630)	(26,540,140)
Net book value	165,556	1,025,697	593,256	415,285	19,984,410	22,184,204

5 INTANGIBLE ASSETS

	Notes	2014	2013
		Rupees	
Membership card - Pakistan Mercantile Exchange Ltd	5.1	1,000,000	1,000,000
Software	5.2	-	-
Trading Rights Entitlement (TRE) Certificate	6	8,170,850	8,170,850
		9,170,850	9,170,850

5.1 This represents cost of membership card of Pakistan Mercantile Exchange Limited with indefinite useful life.

5.2 Software

	Notes	2014	2013
		Rupees	
Acquisition cost		3,606,820	3,606,820
Accumulated balance of amortization	5.3	(3,606,820)	(3,606,820)
		-	-

5.3 This represents the cost of computer software which was amoritzed in 5 years

6 INVESTMENT-AVAILABLE FOR SALE

	Notes	2014	2013
		Rupees	
Investment in shares of Karachi Stock Exchange Limited		21,829,150	21,829,150

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.

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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.

As per the arrangements the authorized and paid-up capital of KSEL is Rs. 10,000,000,000 and Rs. 8,014,766,000 respectively with a par value of Rs. 10 each. The paid-up capital of KSEL is equally distributed among 200 members of KSEL by issuance of 4,007,383 shares to each member in the

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

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

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

Right to vote against blocked shares shall be suspended till the time of sale. The shares of KSEL shall be listed within such time as the SECP may prescribe in consultation with the Board of Directors of

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

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

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

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

7 LONG TERM INVESTMENT - COST	2014	2013
	Rupees	
Value at acquisition	2,000,000	2,000,000
Less: Provision for Impairment	(526,986)	(526,986)
	1,473,014	1,473,014

This represent the investment in unquoted shares of Dawood Family Takaful Limited. The Company carried out impairment testing during the prior year and reduced its investment in DFTL to recoverable amount based on breakup value of investee's company shares.

MM

		2014	2013
8 LONG TERM DEPOSIT		Rupees	
Karachi Stock Exchange Ltd		500,000	500,000
Central Depository Company of Pakistan Ltd		100,000	100,000
National Clearing Company of Pakistan Ltd		100,000	100,000
Pakistan Mercantile Exchange Ltd		2,500,000	2,500,000
Dubai Gold and Commodity Exchange		315,800	315,800
Online trading deposit		500,000	500,000
Future trading initial deposit		100,000	100,000
Other deposits		100,000	100,000
		4,215,800	4,215,800
9 SHORT TERM INVESTMENTS			
Designated as Available for sale			
Cost		141,044,661	97,415,403
Surplus on revaluation of investment			
Opening		25,100,767	12,157,157
Remeasurement gain/(loss) during the period		(12,465,122)	12,943,610
		12,635,645	25,100,767
		153,680,307	122,516,170
10 ADVANCE, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advance tax	10.1	4,220,920	6,801,178
Exposure deposit - KSE		13,561,200	-
Advance against IPO		24,150,000	-
Other Receivables		935,822	-
		42,867,942	6,801,178
10.1 Advance tax		7,294,001	7,348,593
Less:Provision for taxation		(3,073,081)	(547,415)
		4,220,920	6,801,178
11 CASH AND BANK BALANCES			
Cash at bank			
- current account		10,923,059	1,318,423
- deposit account		52,677	4,654,916
		10,975,736	5,973,339
12 DIRECTORS' LOAN			
Directors' loan		2,500,000	2,500,000

This represent long term unsecured and interest free loan from the sponsoring directors for which no repayment term have been maintained.

	2014	2013
13 TRADE AND OTHER PAYABLES	Rupees	
Creditors	131,560,589	41,416,364
Accrued expenses and other payables	250,000	250,000
	131,810,589	41,666,364

14 SHORT TERM RUNNING FINANCE

The Company has obtained bank overdraft facility under mark up arrangement with limit of Rs 80 million/- (2013; Rs 80 million) from Habib Metropolitan Bank Limited.The arrangement is secured against pledge of shares.

15 CONTINGENCIES AND COMMITMENTS

15.1 No provision for Workers' Welfare Fund has been made in these financial statements in the light of judgement laid down by High Court of Lahore in the case of E.P.C.T. (Pvt.) Ltd. Versus Federation of Pakistan, etc. (W.P. No.8763/2011). The Court has held that amendments made in Workers' Welfare Fund Ordinance, 1971 through Finance Acts, 2006 and 2008 were unconstitutional. Had the provision been made, although the same would have been recorded at Rs.682,483.

15.2 There are no commitments as at 30 June 2014 (2013: Nil)

16 OPERATING REVENUE		2014	2013
		Rupees	
Commission income		34,001,111	30,140,021
Dividend income		12,293,572	8,412,421
		46,294,683	38,552,442

17 ADMINISTRATIVE EXPENSE			
Directors' remuneration	17.1	3,396,000	3,396,000
Salaries, benefits and allowances		6,404,064	7,272,258
Legal and professional charges		101,500	101,500
CDC charges		2,488,081	1,850,871
Provision for impairment		526,986	-
KSE and SECP charges		1,735,591	2,545,505
Commission to dealers		15,603,080	14,193,360
Printing and Stationery		77,060	284,966
Auditor's remuneration	18.2	275,000	250,000
Rent, rates and taxes		1,454,947	63,333
Electricity charges		758,411	1,191,918
Entertainment expenses		52,300	80,430
Repair and maintenance		2,391,215	1,702,308
Communication expense		3,116,837	2,817,530
Amortization		-	721,364
Depreciation		2,679,144	3,053,928
General expense		1,405,095	1,205,028
		42,613,588	40,730,299

17.1

	Chief Executive		Director		Total	
	2014	2013	2014	2013	2014	2013
				Rupees		
Basic salary	1,358,400	1,358,400	1,358,400	1,358,400	2,716,800	2,716,800
Other Allowances	339,600	339,600	339,600	339,600	679,200	679,200
	1,698,000	1,698,000	1,698,000	1,698,000	3,396,000	3,396,000

NW

17.2 Audit remuneration	2014	2013
	Rupees	
Statutory auditors remuneration	200,000	175,000
Certification and advisory services	75,000	75,000
	275,000	250,000

18 FINANCE COST

Bank charges	22,723	23,795
Markup on short term borrowings	1,164,137	633,686
	1,186,860	657,481

19 OTHER INCOME

Profit on margin deposit	281,637	195,392

20 FINANCIAL RISK MANAGEMENT

20.1 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. 153.680 million (2013: Rs. 122.5 million) at the reporting date. The Company manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

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

Sensitivity analysis

For the purpose of price risk sensitivity analysis it is observed that the benchmark KSE 100 Index has increased by 41.16% (2013: 55.20%) during the financial year.

The table below summarizes Company's equity price risk as of 30 June 2014 and 2013 and shows the effects of a hypothetical 10% increase in market prices as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Company's equity investment portfolio.

		Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase (decrease) in shareholders' equity	Hypothetical increase (decrease) in profit / (loss) after tax
30-Jun-14	Rupees	153,680,307	10% increase	169,048,337	15,368,031	-
30-Jun-13	Rupees	122,516,170	10% increase	134,767,787	12,251,617	-

iii) **Interest rate risk**

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

The company has no variable rates financial liabilites that lead the company to interest rate risk on these liabilities. However financial assets include balances of Rs. 52,677 (2013: Rs. 4.65 million), which is subject to interest / markup rate risk.

Sensitivity analysis

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

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

	2014	2013	2014	2013
	Effective interest rate (%)		Carrying amounts	
Financial Liabilities				
Short term Borrowing	11% to 13%	11% to 13%	16,980,280	38,394,196
Financial assets				
Bank deposits - *PLS account*	6% to 11%	6% to 11%	52,677	4,654,916

b) **Credit risk**

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

Exposure to credit risk

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

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies, investment and operational guidelines approved by the Board of Directors. In addition, credit risk is also minimized due to the fact that the Company invests only in high quality financial assets, majority of which have been rated by a reputable rating agency. The Company does not expect to incur material credit losses on its financial assets.

The carrying amount of financial assets represent the maximum credit exposure at the reporting date, which are detailed hereunder as follows:

	Note	2014	2013
		Rupees	
Long term deposits	8	4,215,800	4,215,800
Trade debtors - Considered good and unsecured		114,992,920	97,234,797
Advances, deposits and other receivable	10	42,867,942	
Cash and bank balances	11	10,975,736	5,973,339
		173,052,398	107,423,936

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.10.975 million (2013:Rs. 5.973 million) as disclosed in Note 11 and and short term running finance availed of Rs. 16.980 million (2013: 38.394 million).

20.2 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
Financial Assets	....	Amount in Rs.	....	
Available for Sale Quoted Securities	153,680,307	-	-	153,680,307

June 30,2013	Level 1	Level 2	Level 3	Total
Financial Assets	....	Amount in Rs.	....	
Available for Sale Quoted Securities	122,516,170	-	-	122,516,170

20.3 Financial instruments by category

As at June 30, 2014 Financial assets as per balance sheet	Available for sale	Loans, receivables and deposits	Cash and bank	Total
	Amounts in Rupees			
Long term deposits	-	4,215,800	-	4,215,800
Investment in KSE	21,829,150	-	-	21,829,150
Trade debts	-	114,992,920	-	114,992,920
Short term investment	153,680,307	-	-	153,680,307
Advances, deposits, prepayments and other receivables	-	42,867,942	-	42,867,942
Cash and bank balances	-	-	10,975,736	10,975,736
	175,509,457	162,076,662	10,975,736	348,561,855

As at June 30, 2014 Financial liabilities as per balance sheet	Financial liabilities at amortized cost
Trade & other payables	131,810,589
Short term borrowings	16,980,280
	148,790,869

As at June 30, 2013 Financial assets as per balance sheet	Available for sale	Loans, receivables and deposits	Cash and bank	Total
Long term deposits	-	4,215,800	-	4,215,800
Investment in KSE	21,829,150	-	-	21,829,150
Trade debts	-	97,234,797	-	97,234,797
Short term investment	122,516,170	-	-	122,516,170
Advances, deposits, prepayments and other receivables	-	6,801,178	-	6,801,178
Cash and bank balances	-	-	5,973,339	5,973,339
	144,345,320	108,251,775	5,973,339	258,570,435

As at June 30, 2013 Financial liabilities as per balance sheet	Financial liabilities at amortized cost
Trade & other payables	41,666,364
Short term borrowings	38,394,196
	80,060,560

21 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 CORRESPONDING FIGURES

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

23 NUMBER OF EMPLOYEES

	2014	2013
	Rupees	
Number of employees	35	37
Average number of employees	36	37

24 APPROVAL OF FINANCIAL STATEMENTS

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

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.

CHIEF EXECUTIVE

DIRECTOR