FINANCIAL STATEMENT
GMI CAPITAL SECURITIES (PRIVATE) LIMITED
FOR THE YEAR ENDED JUNE 30, 2014

DIRECTOR'S REPORT

To
The Members,

The Directors of M/s. GMI Capital Securities (Private) Limited are pleased to present the Annual Report together with the company's Audited Financials Statements and Auditors' Report of your company for the financial year ended June 30, 2014. The summarized financial results for the year ended June 30, 201 are as under:

FINANCIALS RESULTS	2014 (Rupees)
Operating revenue	16,926,411
Profit before taxation	26,103,104
Taxation	3,204,381
Profit after taxation	22,898,723
Earnings per share (Rs.)	15.27

During the year under review, the Company has profit Rs. 26.103 million including unrealized loss of Rs.3.687 million (2013: unrealized gain Rs.6.603 million) as compared to last year profit Rs. 19.257 million. The realized capital gain during the year was Rs. 23.485 million (2013: gain Rs. 8.307 million)

Total expenditure during the year was Rs.10.621 million as compared to last year Rs. 10.651 million. The tax paid for the year Rs. 3.204 million as compared to Rs. 0.487 million for corresponding year.

AUDITORS

The present auditors, M/s. A. G. Habib & Co, Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year ending June 30, 2015.

CONCLUSION

The Directors appreciates assistance and co-operation extended by our banks & financial institutions and efforts, dedication and commitment demonstrated by our valued customers and all the employees of the company.

For & on behalf of the Board

GHULAM MUHAMMAD ISMAIL
Chief Executive/Director
Karachi: October 13, 2014

A. G. HABIB & CO.
CHARTERED ACCOUNTANTS

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Adjacent to Govt. Women College
Shahra-e-Liaquat, Frere Road,
Karachi-74200
Phone: 2633948, 2215955
Cell: 0303-6286635, (Res) 0303-7272629

Ref:____________________

Date:____________________

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **"GMI CAPITAL SECURITIES (PRIVATE) LIMITED"** (the Company) as at June 30, 2014; and the related profit and loss account, Cash flow statement and the 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 purpose 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 standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting polices 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 account 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 agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the period was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standard 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 affair as at June 30, 2014 and of the Profit 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: **October 13, 2014**

A. G. HABIB & CO.
Chartered Accountant

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

	Note	2014 RUPEES	2013 RUPEES
EQUITIES AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital	4	150,000,000	150,000,000
Unappropriated profit/(Loss)		56,050,702	33,151,979
Shareholders' equity		206,050,702	183,151,979
NON-CURRENT LIABILITIES			
CURRENT LIABILITIES			
Creditors	5	72,137,336	78,199,458
Accrued and other liabilities	6	549,962	481,822
Taxation		3,016,688	868,945
		75,703,986	79,550,225
Contingencies and commitments	7	-	-
		281,754,688	262,702,204
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	8	993,723	1,169,607
Intangible assets	9	32,900,000	32,900,000
Investment-available for sale	10	40,073,830	40,073,830
Long term deposits	11	3,760,000	3,760,000
CURRENT ASSETS			
Short Term Investments	12	9,913,985	34,920,184
Trade debts - Unsecured considered good	13	23,393,408	9,768,719
Advances, deposits, prepayments and other receivables	14	35,973,517	35,361,213
Cash and bank balances	15	134,746,225	104,748,651
		204,027,135	184,798,767
		281,754,688	262,702,204

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

CHIEF EXECUTIVE

DIRECTOR

GMI CAPITAL SECURITIES (PVT) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 RUPEES	2013 RUPEES
Operating revenue	16	16,926,411	14,997,310
Capital gain on Investment		23,484,749	8,307,495
Gain/(Loss) on revaluation on held for trading investments to fair value		(3,686,570)	6,603,477
		36,724,590	29,908,282
OPERATING EXPENSES			
Administrative expenses	17	10,607,022	10,617,777
Financial charges	18	14,464	33,330
		10,621,486	10,651,107
Profit before taxation		26,103,104	19,257,175
Taxation			
- Current	19	3,016,688	868,945
- Prior year		187,693	(382,262)
		3,204,381	486,683
Profit after taxation		22,898,723	18,770,492
Earning per share	20	15.27	12.51

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

CHIEF EXECUTIVE

DIRECTOR

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

	2014 (Rupees)	2013 (Rupees)
Profit / (Loss) for the year	22,898,723	18,770,492
Other comprehensive income	-	-
Total comprehensive profit/(loss) for the year transferred to equity	22,898,723	18,770,492

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

CHIEF EXECUTIVE

DIRECTOR

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

	2014 RUPEES	2013 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	26,103,104	19,257,175
Adjustments for :		
Depreciation	211,585	249,450
Finance cost	14,464	33,330
	226,049	282,780
Operating profit before Working Capital Changes	26,329,153	19,539,955
Change in Working Capital		
(increase)/Decrease in Current Assets		
Advance and Payments	(612,304)	(9,744,848)
Trade debts	(13,624,689)	(2,943,713)
	(14,236,993)	(12,688,561)
Increase/(Decrease) in Current Liabilities		
Trade and other payable	(3,846,239)	37,780,312
	(3,846,239)	37,780,312
	(18,083,232)	25,091,752
Cash generated from operations	8,245,920	44,631,707
Financial charges paid	(14,464)	(33,330)
Income tax paid	(3,204,381)	(486,683)
Net cash inflow / (outflow) from operating activities	5,027,075	44,111,694
CASH FLOW FROM INVESTING ACTIVITIES		
Short term Investment	25,006,199	6,643,880
Fixed Capital Expenditure	(35,700)	(92,200)
Long term deposit & Deferred cost	-	(3,250,000)
Intangible Assets	-	(250,000)
Net cash (outflow) from operating activities	24,970,499	3,051,680
CASH FLOW FROM FINANCING ACTIVITIES		
Net cash (outflow) / inflow from financing activities	-	-
Net increase in cash & cash equivalents	29,997,574	47,163,374
Cash and cash equivalents at the beginning	104,748,651	57,585,277
Cash and cash equivalents at the end of the year	134,746,225	104,748,651

CHIEF EXECUTIVE

DIRECTOR

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

	Share Capital (Rupees)	Unappropriated Profit/(Loss) (Rupees)	Total (Rupees)
Balance as at June 30, 2012	150,000,000	59,307,657	209,307,657
Profit for the year ended June 30, 2013		18,770,492	18,770,492
Revaluation of KSE Shares and TREC due to Demutualization		(44,926,170)	(44,926,170)
Balance as at June 30, 2013	150,000,000	33,151,979	183,151,979
Profit for the year ended June 30, 2014		22,898,723	22,898,723
Balance as at June 30, 2014	150,000,000	56,050,702	206,050,702

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

CHIEF EXECUTIVE

DIRECTOR

GMI CAPITAL SECURITIES (PRIVATE) LIMITED
NOTES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

1. STATUS AND NATURE OF BUSINESS

GMI Capital Securities (Private) Limited ("Compnay") was incorporated under the Companies Ordinance, 1984 on 22nd May 2006 as a private limited company. The Company is a corporate TRE Certificate holder of Karachi Stock Exchange Limited. The registered office of the Company is located at Room no. 705,7th floor, Karachi Stock Exchange Building, Stock Exchange Road, Karachi. The Principle activities include trading and brokerage for equities, underwriting of public issues, etc.

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 Excahnge Commission of Pakistan (SECP) and approved financial reporting standards as applicable in Pakistan. Approved finacial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Boardas 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 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, expect for certain short term investment which are stated at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of financial statement 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

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, Revision 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 2009 and are relevant to the Company**

IAS 1 (revised), Presentation of financial statements (effective from January 1, 2009). The revised standard prohibits the presentation of items of income and expenses (that is,'non-owner changes in equity') in the statement of changes in equity.requiring non-owner changes in equity to be presented seprately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income) Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

The Company has preferred to present two statement a profit and loss account (income statement) and a statement of other comprehensive income. Comparative information has also been represented so that it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

IAS 36 (Amendent), 'Impairment of assets' (effective from January 1,2009). In accordance with new requirements, disclosures equivalent to those for value-in-use calculaion should be made where fair value less costs to sell is calculated on the basis of discounted cash flows.Adoption of the amendment is not expected to have any effect on the Company's financial statements.

IAS 23 (amendment), 'Borrowing costs' (effective from January 1,2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the coast of that asset. The option of immediately expensing those borrowing costs is removed. The company's current accounting policy is in compliance with this amendment, and therefore there is no effect on the Company's financial statements.

IFRS 7 'Financial instruments-Disclosures' (amendment)-effective from january 1 2009. The amendment requires enhanced disclosure about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of the fair value measurement by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on profit for the year.

IFRIC 17,'Distribution of non-cash assests to owners' (effective on or after 1 july 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangments whereby an entity distributes non-cash assests to shareholders either as a distribution of reserves or as dividends.IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Company will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Company's financial statements.

Number of other amendments in other IFRS and IAS which were part of the International accounting Standards Board's (IASB's) annual improvements project, published in April 2009.

b) **Standards, amendments to published standards and interpretations that are effective in 2009 but not relevant to the Comapny**

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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, 2009 and have not been early adopted by the Company:

IAS 1 (amendment), 'Presentation of financial statements' The amendement is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classifiaction as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assests for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Company will apply IAS 1 (amendment) from July 1, 2010. It is not expected to have a material impact on the Company's financial statements.

Prepayments of a minimum funding requirement (amendments to IFRIC 14), effective from January 1, 2011. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19- The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments,entities are not permitted to recongnize as an some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The comapny's does not have any defined benefit plan, hence, these amendments will have no impact on the Company's financial statements.

IAS 24 9revised), 'Related Party Disclosures', effective from January 1, 2011. The revised standard surpersedes 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.

IAS 38 (amendment), 'Intangible assets'. The amendment is part of the IASB's annual improvements project published in april 2009 and the company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in any impact on the Company's fianancial statements.

IAS 39 (amendment): 'Cash flow hedge accounting'. This amendment provides clarification when to recognise gains or losses on hedgind instrumwnts as a reclassification adjustments in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. The Company will apply IAS 39 (Amendment) from July 1, 2010. It is not expected to have any affect on the Comapny's financial statements.

IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions' In addition to incorporating IRFIC 8, 'Scope of IFRS 2', and IFRIC 11 IFRS 2- Group and treasury share transactions', the amendment expend on the guidance in IFRIC 11 to address the classification of the Company's arrangement that were not covered by that interpretation The new guidance is not expected to have any material impact on the Company's financial statements.

IRFS 5 (amendment), 'Measuement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvments project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets(or disposel groups) classified as held for sale or discountinued operations. It also clarifies that the general requirement of IAS 1 still apply,particularly paragraph 15 (to achieve a fair presentattion) and paragraph 125 (source of estimation uncertainty) of IAS 1. The Company will apply IFRS 5 (amendment) from July 1, 2010. It is not expected to have a material impact on the Company's financial statements.

IFRS 9, 'Financial Instruments', effective from January 1, 2013. IFRS 9 addresses the classification and measurement of financial assets. The Company is yet to asses the full impact of IFRS 9.

IFRIC 18, 'Transfers of assets from customers' (effective for periods beginning on or after July 1, 2009). The interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct specific assets. This interpretation is only applicable to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. This interpretation is not expected to have any impact on the company's financial statements.

IFRIC 19 (interpretation), 'Extinguishing Financial Liabilities with Equity Instruments', effective from annual periods beginning on or after July 1, 2010. The interpretation clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the crteditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Company has not offered its shares to the creditors, therefore, this interpretation will have no impact on the Comapny's financial statements.

There are a number of minor amendments in other IRFS and IAS which are part of annual improvement project published in April 2009 and May 2010 (not addressed above). These amendments are unlikely to have any impact on the Company's financial statements and therefore have not been analysed in detail.

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 includind borrowing costs (note 3.17).

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.

Diposal 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 carring 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 8. Depreciation on additions is charged from the quarter in which asset is available for use and on disposals upto the quarter preceding the quartere 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.

TRE Certificates/Membership Card

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.

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

Cost which enhance or extend the performance of computer software beyound its orginal specification and useful life is recongnised as capital improvement and added to the original cost of

Computer software and license costs are stated at cost less accumulated amorization 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/amortization 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 **Classificaton**

The Company classifies its finacial 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 classificaton of its financial assets at initail recognition.

a) **Loans and receivables**

Laons 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 receivable 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 payment and fixed maturity with a positive intension 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 assets 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 recongnised 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 derecongnised when the rights to receive cash flows from the investment 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 carreid at fair value. Loans and receivable 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 ' catogories are presented in the profit and loss account within income/expenses in the period in which they arise. Dividend income from finacial 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 payment 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 investment securities'.

Inertest on available -for- 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 assets or a group of financial asset is impaired. If any such avidence exists for available - for sale financial assets, the cumulative loss is remove from equity and recognised in the profit and loss accoumt. Impairment losses recognised in the profit and loss acoount on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in notes 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 relise 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 receivable 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 receivable 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 investment with original maturities of three months or less, and bank overdrafts/ short term borrowings, Bank overdraft are shown within borrowings in current liabilities on the balance sheet.

3.9 **Share capital**

Ordinary shares are classified as equity and recongnised at their face value. Incremental costs directly attribuble 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 borrowing 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 payable are recognized initially at fair value plus directlly attributable cost, if any, and subsequently measured 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,expect 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 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 recognised at the time when the company becomes a party to the contractual provisions of the instruments. Any gain or loss on the recognition and derocognizing of the financial assets and liabilities is taken to profit and loss account currently.

3.15 **Foreign currency transactions and translation**

Monetary assets and liabilites 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 consultancyand 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 finanacial 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 expcept 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 included exchange differences arising from foriegn currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

		2014 Rupees	2013 Rupees
4	SHARE CAPITAL		
	ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
	1,500,000 Ordinary Shares of Rs. 100/- each fully paid (2013: 1,500,000 shares)	150,000,000	150,000,000
	AUTHORIZED CAPITAL		
	1,500,000 Ordinary shares of Rs. 100/ each	150,000,000	150,000,000
5	CREDITORS		
	Creditors	72,137,336	78,199,458
6	ACCRUED & OTHER LIABILITIES		
	Accrued Expenses	300,000	300,000
	CGT Payable	97,153	181,822
	SST Payable	152,809	-
		549,962	481,822
7	CONTINGENCIES AND COMMITMENTS	-	-

There are no material contingencies including Pending "or" Threatened law suit and unasserted claims, further no claims in connection with litigation have been "or" are expected to be received / paid. There are no commitments other than future lease payments against assets subject to finance lease.

8 PROPERTY AND EQUIPMENT

Particulars	COST			Rate	DEPRECIATION			W.D.V
	As at July 01, 2013	Additions/ (Deletions)	As at June 30, 2014	%	As At July 01, 2013	For the year	As at June 30, 2014	As at June 30, 2014
Furniture and Fixture	560,489	1,200	561,689	15	303,146	38,781	341,927	219,762
Office Equipments	378,803	-	378,803	15	201,377	26,614	227,991	150,812
Vehicles	1,110,700	-	1,110,700	15	546,625	84,611	631,236	479,464
Computers	1,353,589	34,500	1,388,089	30	1,182,825	61,579	1,244,404	143,685
Rupees 2014	3,403,581	35,700	3,439,281		2,233,974	211,585	2,445,559	993,723
Rupees 2013	3,311,381	92,200	3,403,581		1,984,524	249,450	2,233,974	1,169,607

			2014 Rupees	2013 Rupees
9	INTANGIBLE ASSETS			
	Trading Right Entitlement Certificate - KSE	10.1	15,000,000	15,000,000
	Membership Card Rights - PMEX	9.1	250,000	250,000
	Offices at Karachi Stock Exchange		17,650,000	17,650,000
			32,900,000	32,900,000

9.1 This represents the cost of membership license of Pakistan Mercantile Exchange Limited having indefinite useful life

		2014 Rupees	2013 Rupees
10 INVESTMENT-AVAILABLE FOR SALE			
Shares of Karachi Stock Exchange Ltd	11.1	40,073,830	40,073,830
		40,073,830	40,073,830

10.1 Pursuant of the promulgation of the Stock Exchanges (Corporatisation, Demutualization and integration) Act, 2012 (The Act) the ownership in a Stock Exchange has been segregated from the right to trade on the Exchange. Accordingly, the company has received equity shares of KSE and Trading Right Entitlement (TRECs) in lieu of it membership card of KSE. The Company's entitlement in respect of KSE's shares is determined on the basis of valuation of assets and liabilities of KSE as approved by SECP and the Company has been allotted 4,007,383 shares of the face value of Rs. 10/- each, out of which 2,404,430 shares are kept in the blocked account and the divestment of the same will be made in accordance with the requirements of the Act within two years from the date of Demutualization.

In the absence of an active market of the shares of KSE and TREC, the Company has taken the cost of the shares and TREC at Rs: 40.073 million and Rs: 15 million respectively, which is the value approved by the Board of Directors of KSE and endorsed by the SECP.

During the year KSEL, through a notice, instructed all TRE Certificate holders to maintain/comply with Base Minimum Capital (BMC) requirement under Regulation Governing Risk Management of KSEL ("the Regulation") in the form calculated in the schedule-1 to the above Regulation. Total BMC requirement determined by the Board of Directors of KSEL in their meeting held on 10th December 2012 was Rs. 30.955 million for each individual TRE Certificate Holder. Accordingly, the Company has complied with 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
11 LONG TERM DEPOSITS		
Karachi Stock Exchange Ltd.	110,000	110,000
National Clearing Company of Pakistan Ltd.	300,000	300,000
Central Depository Company of Pakistan Ltd	100,000	100,000
Deposit - PMEX (Membership)	750,000	750,000
Deposit - NCEL Building Management Ltd	2,500,000	2,500,000
	3,760,000	3,760,000
12 SHORT TERM INVESTMENT		
At fair value through P&L	9,913,985	34,920,184
Cost of Shares Investment	1,507,821	22,827,450
Changes due to fair Market Value		
Opening	12,092,734	5,489,257
During the Year	(3,686,570)	6,603,477
	(8,406,164)	12,092,734
	9,913,985	34,920,184
13 TRADE DEBTS - (Unsecured Considered Good)	23,393,408	9,768,719
14 ADVANCES, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES		
Advances to Staff	253,000	271,000
Deposits- KSE	28,000,000	29,590,240
Advance Tax	3,277,182	1,993,481
Income Tax Refundable	4,443,335	3,506,492
	35,973,517	35,361,213

		Note	2014 Rupees	2013 Rupees
15	**CASH AND BANK BALANCES**			
	Cash in hand		7,414	8,027
	Cash at bank - In current account		134,738,811	104,740,624
			134,746,225	104,748,651
16	**OPERATING REVENUE**			
	Commission income		12,088,612	11,563,365
	Commission on IPO		9,896	50
	Dividend Income		2,339,616	1,047,750
	Rent Income		550,000	846,300
	Return profit on cash margin on future contract		1,938,287	1,539,845
			16,926,411	14,997,310
17	**ADMINISTRATIVE EXPENSES**			
	Salaries, benefits and allowances		7,438,537	6,902,744
	Directors' remuneration	17.1	1,380,000	1,585,688
	Printing and stationery		50,621	79,192
	Fees and subscription		135,025	424,400
	Legal and Professional Charges		198,300	235,000
	Communication expenses		503,839	415,078
	Entertainment & Sales Promotions		284,241	354,984
	Travelling & Conveyance Expenses		12,490	9,810
	Auditor remuneration	17.2	60,000	60,000
	Rent, Rates & Taxes		75,300	85,300
	Repairs & Maintenance		66,445	41,080
	Vehicle Running Expenses		165,569	154,276
	Depreciation	8	211,585	249,450
	General Epenses		25,069	20,775
			10,607,022	10,617,777
17.1	**DIRECTORS' REMUNERATION**			
	Chief Executive			
	Managerial Remuneration		600,000	600,000
	House Rent		240,000	240,000
	Utilities		60,000	60,000
	Total		900,000	900,000
	No. of persons		One	One
	Directors			
	Managerial Remuneration		320,000	457,125
	House Rent		128,000	182,850
	Utilities		32,000	45,713
	Total		480,000	685,688
	No. of persons		One	One
17.2	**AUDITORS REMUNERATION**			
	Statutory audit fee		60,000	60,000
			60,000	60,000
18	**FINANCIAL CHARGES**			
	Bank charges		14,464	33,330
			14,464	33,330
19	**TAXATION**			
	Current for the year		3,016,688	868,945
			3,016,688	868,945

		2014 Rupees	2013 Rupees
20	EARNINGS PER SHARE		
	Profit after taxation	22,898,723	18,770,492
	Number of ordinary shares in issue	1,500,000	1,500,000
	Earning per share (in Rupee)	15.27	12.51

21 RELATED PARTY TRANSACTIONS

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

The related partie comprise of mjaor shareholders, associated compnies with or without common directors, directors of the company and key mangement personnel, staff provident fund, and financial institution having nominee on the Board of Directors. The remuneration of Director is disclosed in note 17.1 to the financial statements.

22 CAPITAL RISK MANAGEMENT

The Board's policy of capital risk mangement is to maintain a strong capital base, rations 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 optional 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 taxtion divided by total shareholders' equity. There were no changes in Comapany's approach to capital mangment during the year and the Comapany is not subject to externally imposed capital requirements.

23 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on 13 OCT 2014

24 GENERAL

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

CHIEF EXECUTIVE

DIRECTOR