

Khanani Securities (Private) Limited
Financial Statements
For the year ended June 30, 2014

Khanani Securities (Private) Limited

Financial Statements

Index

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KHANANI SECURITIES (PVT.) LIMITED

Corporate Member :
THE KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED

638, Stock Exchange Building,
Stock Exchange Road,
Karachi-Pakistan.

Off : 32410494
32421752
32430126
32413750
32460794
Res : 35681258

K-023

DIRECTORS' REPORT

The Directors take pleasure in presenting their report together with the audited financial statement of the Company for the years June 30, 2014. The working results of the company for the said financial year are given as under:

Financial Results:

| | Rupees |
|------------------------|------------------|
| Total Revenue | 7,820,069 |
| Operating expenses | (4,914,404) |
| Profit before taxation | 2,905,665 |
| Taxation- Current | (831,642) |
| Profit after taxation | <u>2,074,023</u> |

Dividend:

The Directors do not recommended any dividend during the year due to cash flow requirement in next financial year.

Future Prospects:

The Directors expect future profitability to be increased.

Earnings per Share:

Earnings per share for the year ended 30th June 2014 was Rs. 0.230

Auditors:

The auditors of the company Nasir Javaid Maqsood Imran – Chartered Accountants have retired and offer their services for the ensuing year.

On behalf of the board
For (Khanani Securities (Pvt) Ltd)

Karachi:

Dated

08 OCT 2014


Chief Executive



AUDITORS' REPORT TO THE MEMBERS

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

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said 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 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

Offices also at:

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A member firm of





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

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at **June 30, 2014** and of the profit, its cash flows and changes in equity for the year then ended; and

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

Dated:
Karachi 08 OCT 2014



NASIR JAVID MAQSOOD IMRAN
Chartered Accountants

Audit Engagement Partner: M. Javid Qasim

Khanani Securities (Private) Limited
Balance Sheet
As at June 30, 2014

| | Note | Rupees 2014 | Rupees 2013 |
|---|--------|--------------------|--------------------|
| <u>ASSETS</u> | | | |
| <u>NON-CURRENT ASSETS</u> | | | |
| Property & Equipments | 7 | 1,077,146 | 1,200,275 |
| Intangible Assets | 8 | 24,543,000 | 24,543,000 |
| Investments | 9 | 65,457,000 | 65,457,000 |
| Long-term Deposits | 10 | 305,000 | 305,000 |
| <u>CURRENT ASSETS</u> | | | |
| Trade Receivables | 11 | 4,916,953 | 6,426,445 |
| Advances, Deposits & Other Receivables | 12 | 7,748,688 | 10,420,755 |
| Cash & Bank Balances | 13 | 19,769,195 | 7,293,943 |
| | | 32,434,836 | 24,141,143 |
| | | 123,816,982 | 115,646,418 |
| <u>CAPITAL AND LIABILITIES</u> | | | |
| <u>Authorized Capital</u> | | | |
| 20,000,000 Ordinary Shares of Rs. 10/- each | | 200,000,000 | 200,000,000 |
| Issued, Subscribed and Paid-up capital | 14 | 90,010,000 | 90,010,000 |
| Unappropriated Profit | | 8,448,691 | 6,374,668 |
| | | 98,458,691 | 96,384,668 |
| Long Term Loan | 15 | 5,452,000 | 5,859,615 |
| <u>CURRENT LIABILITIES</u> | | | |
| Trade Payables | | 19,017,565 | 12,401,727 |
| Accrued Expenses & Other Liabilities | 16 | 888,726 | 1,000,408 |
| | | 19,906,291 | 13,402,135 |
| Contingencies and Commitment | 16 (a) | | |
| | | 123,816,982 | 115,646,418 |

The annexed notes from 1 to 27 form an integral part of these financial statements.

Karachi
Dated : **08 OCT 2014**


Chief Executive


Director

Khanani Securities (Private) Limited
Profit & Loss Accounts
For the year ended June 30, 2014

| | Note | Rupees 2014 | Rupees 2013 |
|--|------|------------------|------------------|
| <u>Revenue</u> | | | |
| Operating Revenue | 17 | 7,413,825 | 4,632,145 |
| <u>Operating Expenses</u> | | | |
| Administrative Expenses | 18 | 4,905,951 | 3,443,544 |
| Financial Charges | 19 | 8,453 | 7,336 |
| | | 4,914,404 | 3,450,880 |
| Operating Profit/ (Loss) before Taxation | | 2,499,421 | 1,181,265 |
| Other Charges | 20 | - | - |
| Other income | 21 | 406,244 | 212,954 |
| Net Profit/ (Loss) before Taxation | | 2,905,665 | 1,394,219 |
| Taxation | 22 | 831,642 | 493,171 |
| Profit/ (Loss) after Taxation | | 2,074,023 | 901,048 |
| Earning per share- basic & diluted | 23 | 0.230 | 0.100 |

The annexed notes from 1 to 27 form an integral part of these financial statements.

Karachi

Dated : 08 OCT 2014


 Chief Executive



Director

Khanani Securities (Private) Limited
Statement of Comprehensive Income
For the year ended June 30, 2014

| Note | Rupees 2014 | Rupees 2013 |
|--|------------------|----------------|
| Profit / (Loss) after Taxation | 2,074,023 | 901,048 |
| Other Comprehensive Income | - | - |
| Total Comprehensive Income / (Loss) for the year | <u>2,074,023</u> | <u>901,048</u> |

The annexed notes from 1 to 27 form an integral part of these financial statements.

Karachi

Dated : 08 OCT 2014


Chief Executive


Director

Khanani Securities (Private) Limited
Cash Flow Statement
For the year ended June 30, 2014

| Note | 2014 Rupees | 2013 Rupees |
|--|-------------------|------------------|
| Cash Flow from Operating activities | | |
| Net Profit before taxation | 2,905,665 | 1,394,219 |
| Add : Items not involved in movement of fund: | | |
| Depreciation | 175,129 | 213,239 |
| Provision for staff gratuity | - | - |
| Financial Charges | 8,453 | 7,336 |
| | <u>183,582</u> | <u>220,575</u> |
| Operating Profit before working capital changes, Financial charges and taxes | 3,089,247 | 1,614,794 |
| Net Change in working capital | (a) 10,342,049 | (2,461,413) |
| | <u>13,431,297</u> | <u>(846,619)</u> |
| Financial Charges paid | (8,453) | (7,336) |
| Taxes Paid | (487,977) | (33,927) |
| | <u>12,934,867</u> | <u>(887,882)</u> |
| Net cash from operating activities | | |
| Cash Flow from Investing activities | | |
| Long term deposit | - | - |
| Fixed Capital Expenditures | (52,000) | - |
| | <u>(52,000)</u> | <u>-</u> |
| Net Cash Inflow/ (Outflow) from investing activities | | |
| Cash Flow from Financing activities | | |
| Long-term loan | (407,615) | 357,615 |
| | <u>(407,615)</u> | <u>357,615</u> |
| Net Cash Inflow/ (Outflow) from financing activities | | |
| Net increase / (decrease) in cash and cash equivalents | 12,475,252 | (530,267) |
| Cash and cash equivalent at beginning of the year | 7,293,943 | 7,824,210 |
| Cash and cash equivalent at end of the year | 13 19,769,195 | 7,293,943 |

(a) Statement of change in Working Capital

(Increase) / decrease in current assets

| | | |
|---------------------------------------|------------------|---------------------|
| Trade Receivables | 1,509,492 | (11,646,465) |
| Advances, Deposits & Other receivable | 2,672,067 | (2,241,132) |
| | <u>4,181,559</u> | <u>(13,887,597)</u> |

Increase / (decrease) in current Liabilities

| | | |
|--------------------------------------|------------------|-------------------|
| Trade Payables | 6,615,838 | 10,937,333 |
| Accrued Expenses & Other Liabilities | (455,347) | 488,851 |
| | <u>6,160,491</u> | <u>11,426,184</u> |

Net Working Capital Changes

| | | |
|--|-------------------|--------------------|
| | <u>10,342,049</u> | <u>(2,461,413)</u> |
|--|-------------------|--------------------|

The annexed notes from 1 to 27 form an integral part of these financial statements.

Karachi

Dated :

08 OCT 2014


Chief Executive


Director

Khanani Securities (Private) Limited
Statement of Changes in Equity
For the year ended June 30, 2014

| | Issued, Subscribed and Paid-up Capital | Unappropriated Profit/ (Loss) | Total |
|--------------------------------|---|----------------------------------|---------------|
| | <i>Rupees</i> | <i>Rupees</i> | <i>Rupees</i> |
| Balance as at June 30, 2012 | 90,010,000 | 5,473,620 | 95,483,620 |
| Profit / (Loss) after taxation | - | 901,048 | 901,048 |
| Balance as at June 30, 2013 | 90,010,000 | 6,374,668 | 96,384,668 |
| Profit / (Loss) after taxation | - | 2,074,023 | 2,074,023 |
| Balance as at June 30, 2014 | 90,010,000 | 8,448,691 | 98,458,691 |

The annexed notes from 1 to 27 form an integral part of these financial statements.

Karachi

Dated : 08 OCT 2014


 Chief Executive


 Director

Khanani Securities (Private) Limited
Notes to the accounts

1 Legal Status and Nature of Business

Khanani Securities (Private) Limited (the Company) was incorporated in February 28, 2006 as a private limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at 638, Stock Exchange Building, Stock Exchange Road, Karachi, Pakistan. The company is engaged in the business of financial consultancy, brokerage, underwriting and investment counselling. It is a Trading Right Certificate Holder of the Karachi Stock Exchange Limited.

2 Statement of Compliance

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

3 Basis of Measurement

- 3.1 These financial statements have been prepared under the historical cost convention except for certain investments which are carried at their fair value.
- 3.2 These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

4 Significant Accounting Policies and Risk Management

4.1 New / Revised Standards, Interpretations and Amendments

The Company has adopted the following revised standard, amendments and interpretation of IFRs which became effective for the current year.

IAS 19 - Employees Benefits - (Revised)

IFRS 7 - Financial Instruments: Disclosures - (Amendments)

- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

IFAS 3 - Profit and Loss Sharing on Deposits

Improvements to Accounting Standards Issued by the IASB

IAS 1 - Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 - Property, Plant and Equipment - Clarification of Servicing Equipment

IAS 32 - Financial Instruments: Presentation - Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 - Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

Khanani Securities (Private) Limited
Notes to the accounts

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements.

4.2 Property and Equipment

These are stated at cost less accumulated depreciation and impairment, if any. 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. Normal repairs and maintenance costs are charged to income as and when incurred. Major renewals and improvements are capitalised. The assets residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each financial year end. Gain or loss on disposal of assets, if any, is recognized in the period of disposal.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceeds estimated recoverable amount, assets are written down to their estimated recoverable amount.

4.3 Intangible Assets

Intangible assets having definite life are stated at cost less accumulated amortization and impairment, if any.

Rooms and trading right entitlement certificate are considered to have an indefinite useful life and are stated at acquisition cost. The carrying amount of these assets is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where the carrying amount exceeds the estimated recoverable amount, it is written down to its estimated recoverable amount.

Gain and loss on disposal, if any, is taken to the profit and loss account.

4.4 Investments

The management of the Company determines the appropriate classification of its investments at the time of purchase as follows.

Held-to-maturity

Investment with fixed maturities where management has both the intent and ability to hold to maturity, are classified as held-to-maturity investments. These investments are carried at amortized cost.

Available-for-sale

These are investments intended to be held for an indefinite period to time, which may be sold in response to needs for liquidity or changes in equity prices. Subsequent to initial measurement, these are re-measured to fair value except for unquoted investments which are stated at cost. Net gains and losses arising on changes in fair value of these investments are recognized directly in equity. On derecognition or impairment in available-for-sale investments, the cumulative gain or loss previously recognized in equity is included in the profit and loss account for the year.

Investments at fair value through profit or loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the near term. After initial recognition, these investments are remeasured at fair value and gains or losses are recognized in profit and loss account.

Khanani Securities (Private) Limited
Notes to the accounts

4.5 Trade date accounting

All "regular way" purchases and sales of quoted securities are recognised on the "trade date", i.e., the date on which the Company commits to purchase / sell the security. Regular way purchases or sales of quoted securities require delivery within stipulated time after the transaction date as per the Stock Exchange Regulations.

4.6 Repurchase / Resale Agreements

The Company enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repo agreement.

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the balance sheet. Amounts paid under these arrangements are included in reverse repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repos agreement.

4.7 Trade debts and fund placements

In accordance with good accounting practices the company provides fully against the trade debts and fund placements for which no security is available without prejudice to its right to take appropriate legal and commercial action for the recovery of the said trade debts and fund placements.

4.8 Financial instruments

All financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

4.9 Off-setting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the realised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.10 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 embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

Khanani Securities (Private) Limited
Notes to the accounts

4.11 Taxation

4.11.1 Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemption available, if any. For income covered under Final Tax Regime, taxation is based on applicable tax rates under such regime.

4.11.2 Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences and deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such deductible temporary differences, unused tax assets and unused tax losses can be utilised.

4.12 Revenue recognition

- Brokerage commission is recognized as and when services are provided.
- Income from placements of funds is recognized on time proportionate basis.
- Mark-up on over due balances is recognized on accrual basis.
- Underwriting commission is recognized when the agreement is executed.
- Dividend income is recognized when right to receive the same is established.
- Gain / loss arising on disposal of investments is included in income currently and is accounted for on the date at which the transaction takes place.
- Profit of bank accounts is recognized on accrual basis.
- Corporate Advisory Fee is recognized on accrual basis.

5 Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgment about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Khanani Securities (Private) Limited
Notes to the accounts

6 Standards, Interpretations and Amendments to approved accounting Standards That Are Not Yet Effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

| Standard or Interpretation | Effective date (annual periods beginning on or after) |
|---|--|
| IFRS 10 - Consolidated Financial Statements | January 01, 2015 |
| IFRS 11 - Joint Arrangements | January 01, 2015 |
| IFRS 12 - Disclosure of Interests in Other Entities | January 01, 2015 |
| IFRS 13 - Fair Value Measurement | January 01, 2015 |
| IAS 16 & 38 - Clarification of Acceptable Method of Depreciation and Amortization | January 01, 2016 |
| IAS 16 & 41 - Agriculture: Bearer Plants | January 01, 2016 |
| IAS 19 - Employee Contributions | July 01, 2014 |
| IAS 32 - Offsetting Financial Assets and Financial liabilities - (Amendment) | January 01, 2014 |
| IAS 36 - Recoverable Amount for Non-Financial Assets - (Amendment) | January 01, 2014 |
| IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting - (Amendment) | January 01, 2014 |
| IFRIC 21 - Levies | January 01, 2014 |

The Company is currently evaluating the impact of the above standards and interpretation on the Company's financial statements in the period of initial application.

In addition to the above standards and interpretations, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after July 01, 2014. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| Standard | Effective date (annual periods beginning on or after) |
|--|--|
| IFRS 9 - Financial Instruments: Classification and Measurement | January 01, 2018 |
| IFRS 14 - Regulatory Deferral Accounts | January 01, 2016 |
| IFRS 15 - Revenue from Contracts with Customers | January 01, 2017 |

Khanani Securities (Private) Limited
Notes to the accounts

7 Property and Equipments

| | Office Premises (Rupees) | Furniture & Fixtures (Rupees) | Computer & Allied (Rupees) | Air Conditioners (Rupees) | Vehicles (Rupees) | Total (Rupees) |
|-------------------------------------|-----------------------------|----------------------------------|-------------------------------|------------------------------|----------------------|-------------------|
| Net carrying value basis | | | | | | |
| Year ended June 30, 2014 | | | | | | |
| Opening net book value (NBV) | 522,500 | 67,804 | 125,125 | 14,461 | 470,385 | 1,200,275 |
| Additions (at cost) | 27,500 | 24,500 | - | - | - | 52,000 |
| Disposals (at NBV) | - | - | - | - | - | - |
| Depreciation charge | (27,500) | (13,846) | (37,538) | (2,169) | (94,077) | (175,129) |
| Closing net book value (NBV) | 522,500 | 78,458 | 87,588 | 12,292 | 376,308 | 1,077,146 |
| Gross carrying value basis | | | | | | |
| As at June 30, 2014 | | | | | | |
| Cost | 577,500 | 202,678 | 621,148 | 38,000 | 1,435,500 | 2,874,826 |
| Accumulated depreciation | (55,000) | (124,220) | (533,561) | (25,708) | (1,059,192) | (1,797,680) |
| Net book value (NBV) | 522,500 | 78,458 | 87,588 | 12,292 | 376,308 | 1,077,146 |
| Net carrying value basis | | | | | | |
| Year ended June 30, 2013 | | | | | | |
| Opening net book value (NBV) | 550,000 | 79,770 | 178,750 | 17,013 | 587,981 | 1,413,514 |
| Additions (at cost) | - | - | - | - | - | - |
| Disposals (at NBV) | - | - | - | - | - | - |
| Depreciation charge | (27,500) | (11,966) | (53,625) | (2,552) | (117,596) | (213,239) |
| Closing net book value (NBV) | 522,500 | 67,804 | 125,125 | 14,461 | 470,385 | 1,200,275 |
| Gross carrying value basis | | | | | | |
| As at June 30, 2013 | | | | | | |
| Cost | 550,000 | 178,178 | 621,148 | 38,000 | 1,435,500 | 2,822,826 |
| Accumulated depreciation | (27,500) | (110,374) | (496,023) | (23,539) | (965,115) | (1,622,551) |
| Net book value (NBV) | 522,500 | 67,804 | 125,125 | 14,461 | 470,385 | 1,200,275 |
| Depreciation rates (%) | 5 | 15 | 30 | 15 | 20 | |

Khanani Securities (Private) Limited
Notes to the accounts

| Note | Rupees 2014 | Rupees 2013 |
|--|-------------------|-------------------|
| 8 Intangibles | | |
| Membership Card of Karachi Stock Exchange (Guarantee) Limited | - | - |
| Trading Rights Entitlement Certificates | 24,543,000 | 24,543,000 |
| | <u>24,543,000</u> | <u>24,543,000</u> |
| 9 Investment- Available for Sale | 65,457,000 | 65,457,000 |
| | <u>65,457,000</u> | <u>65,457,000</u> |
| 9.1 Pursuant to 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 a Trading Right Entitlement (TREC)s in lieu of 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 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. | | |
| <p>The cost/ book value of the KSE membership card amounts to Rs.90 Million as at June 30, 2014. In the absence of an active market of the shares of KSE and TREC, 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 estimated TREC value for BMC purpose (40:15)</p> | | |
| 10 Long-term Deposits | | |
| Karachi Stock Exchange Limited | 100,000 | 100,000 |
| Central depository company (CDC) | 5,000 | 5,000 |
| National Clearing Company of Pakistan Limited (NCCPL) | 200,000 | 200,000 |
| | <u>305,000</u> | <u>305,000</u> |
| 11 Trade Receivables | | |
| Unsecured considered good | 4,916,953 | 6,426,445 |
| | <u>4,916,953</u> | <u>6,426,445</u> |
| 12 Advances, deposit & other receivable | | |
| Deposit - KSE | 6,000,000 | 4,500,000 |
| Advance Tax | 1,018,466 | 680,653 |
| Other Receivable | 730,222 | 5,240,102 |
| | <u>7,748,688</u> | <u>10,420,755</u> |
| 13 Cash & Bank balances | | |
| Cash In hand | 24,960 | 102,256 |
| Cash at Bank | 19,744,235 | 7,191,687 |
| | <u>19,769,195</u> | <u>7,293,943</u> |

Khanani Securities (Private) Limited
Notes to the accounts

| Note | Rupees 2014 | Rupees 2013 |
|--|-------------------|--|
| 14 Issued, subscribed & Paid-up-Capital | | |
| Ordinary Shares of Rs. 10 /- each | | |
| 2014 | 2013 | |
| 1,000 | 1,000 | Ordinary shares of Rs. 10 each fully paid in cash |
| 9,000,000 | 9,000,000 | Ordinary shares of Rs. 10 each issued for consideration other than cash. |
| 9,001,000 | 9,001,000 | |
| | 90,010,000 | 90,010,000 |
| The shareholders are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the Company. All shares carry "one vote" per share without restriction. | | |
| 15 Long Term Loan | | |
| From Director and others | 5,452,000 | 5,859,615 |
| The director have provided markup free loan to the company for which repayment terms have not been maintained. | | |
| 16 Accrued Expenses and Other liabilities | | |
| Accrued Expenses | 55,911 | 102,534 |
| Provision for Taxation | 831,642 | 487,977 |
| Other Liabilities | 1,173 | 409,897 |
| | 888,726 | 1,000,408 |
| 16 (a) Contingencies and Commitment | | |
| There is no contingencies and commitment during the year. (2013 : Nil) | | |
| 17 Operating Revenue | | |
| Brokerage Commission | 6,672,460 | 4,632,145 |
| Dividend Income | 741,366 | - |
| | 7,413,825 | 4,632,145 |
| 18 Administrative Expenses | | |
| Director Remuneration | 710,000 | 540,000 |
| Staff Salaries & Allowances | 1,544,600 | 912,400 |
| Telephone & Communication | 62,840 | 63,640 |
| Fee & Subscription | 358,493 | 71,088 |
| Electricity & Rent | 112,107 | 116,712 |
| Water Charges | 16,915 | 14,075 |
| KSE/ CDC/ NCSS Services Charges | 517,299 | 392,521 |
| Audit Fee | 60,000 | 60,000 |
| Legal & Professional | 164,240 | 38,600 |
| Professional Tax | 50,300 | 50,300 |
| Printing and Stationary | 17,238 | 14,440 |
| Repair & Maintenance | 154,450 | 95,700 |
| Travelling & Conveyance | 75,525 | 69,820 |
| Entertainment | 168,000 | 180,000 |
| Postage & Courier | 3,855 | 4,625 |
| Vehicle Running | 192,000 | 192,000 |
| Insurance | 42,000 | 42,000 |
| Depreciation | 175,129 | 213,239 |
| Misc. & General | 480,960 | 372,384 |
| | 4,905,951 | 3,443,544 |

Khanani Securities (Private) Limited
Notes to the accounts

| Note | Rupees 2014 | Rupees 2013 |
|--|---|----------------|
| 19 <u>Financial Charges</u> | | |
| Bank Charges | 8,453 | 7,336 |
| | <u>8,453</u> | <u>7,336</u> |
| 20 <u>Other Income</u> | | |
| Exposure income (KSE) | 406,244 | 212,954 |
| | <u>406,244</u> | <u>212,954</u> |
| 21 <u>Taxation</u> | | |
| Current | 831,642 | 487,977 |
| Prior | - | 5,194 |
| Deferred | - | - |
| | <u>831,642</u> | <u>493,171</u> |
| 21.1 | Income tax returns of the company have been finalized upto and including the tax year 2013, which are deemed to be assessment order under provisions of Income Tax Ordinance, 2001. | |
| 22 <u>Earning per share- basic & diluted</u> | | |
| Profit/ (Loss) after taxation | 2,074,023 | 901,048 |
| Weighted average number of shares at the end of the year | 9,001,000 | 9,001,000 |
| | <u>0.230</u> | <u>0.10</u> |

23 Remuneration of Directors and Chief Executive

| | 2014 | | 2013 | |
|---------------------|-----------------|-----------|-----------------|-----------|
| | Chief Executive | Directors | Chief Executive | Directors |
| Remuneration | 360,000 | 350,000 | 240,000 | 300,000 |
| Number of person(s) | 1 | 1 | 1 | 1 |

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are market risk, credit risk and liquidity risk. The Board of the directors reviews and agrees policies for managing each of these risks which are summarized below:

24.1 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

Khanani Securities (Private) Limited
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(i) **Interest Rate Risk**

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Company is exposed to such risk mainly in respect of short-term borrowings. Management of the Company estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Company's loss by Rs. Nil and a 1% decrease would result in a decrease in the Company's loss by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(ii) **Foreign Currency Risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Company does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) **Equity Price Risk**

Equity price risk is the risk of volatility in share price resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. Management of the Company estimates that a 10% increase in the overall equity prices in the market with all other factors remaining constant would increase the Company's profit by Rs. Nil and a 10% decrease would result in a decrease in the Company's profit by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

24.2 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected.

| 2014 | Less than 12 months | More than 1 year | Total |
|---|------------------------|---------------------|-------------------|
| | ----- Rupees ----- | | |
| Due to related parties | - | 5,452,000 | 5,452,000 |
| Liabilities against assets subject to finance lease | - | - | - |
| Trade and other payables | 19,017,565 | - | 19,017,565 |
| Accrued mark-up and expenses | 888,726 | - | 888,726 |
| Short-term borrowings | - | - | - |
| | <u>19,906,291</u> | <u>5,452,000</u> | <u>25,358,291</u> |
| 2013 | Less than 12 months | More than 1 year | Total |
| | ----- Rupees ----- | | |
| Due to related parties | - | 5,859,615 | 5,859,615 |
| Liabilities against assets subject to finance lease | - | - | - |
| Trade and other payables | 12,401,727 | - | 12,401,727 |
| Accrued mark-up and expenses | 1,000,408 | - | 1,000,408 |
| Short-term borrowings | - | - | - |
| | <u>13,402,135</u> | <u>5,859,615</u> | <u>19,261,750</u> |

Khanani Securities (Private) Limited
Notes to the accounts

24.3 Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligation. The table below analyses the Company's maximum exposure to credit risk.

| | 2014 | 2013 |
|--|--------------------|-------------------|
| | ----- Rupees ----- | |
| Trade debts - net of provision (see note 12) | - | - |
| Loans and advances | 1,018,466 | 680,653 |
| Deposits and other receivables | 7,035,222 | 10,045,102 |
| Bank balances | 19,769,195 | 7,293,943 |
| | 27,822,883 | 18,019,698 |

24.4 Capital management

Net capital requirements of the Company are set and regulated by the KSE. These requirements are put in place to ensure sufficient solvency margins and are based on excess of current assets over current liabilities. The Company manages its net capital requirements by assessing its capital structure against required capital level on a regular basis.

24.5 Minimum Capital

Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (the Act), all TRE certificate holders of the Exchange, in compliance with the sub-regulation 2.1 of the Regulations Governing Risk Management of the Exchange are required to maintain base minimum capital of Rs. 31.156 million with Karachi Stock Exchanges. The Company is in compliance with the aforementioned requirement as at June 30, 2014.

24.6 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The carrying value of all financial instruments reflected in the financial statements approximate their fair value.

The Company uses the following hierarchy for disclosure of the fair value of financial instruments by valuation

Level 1 : quoted prices in active market for identical assets.

Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 : techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Khanani Securities (Private) Limited
Notes to the accounts

As at June 30, 2014, the Company held the following financial instruments measured at fair value:

| | Level 1 | Level 2 | Level 3 |
|--------------------------------------|---------|---------|------------|
| | Rupees | | |
| At fair value through profit or loss | - | - | - |
| Available-for-sale | - | - | 65,457,000 |

As at June 30, 2013, the Company held the following financial instruments measured at fair value:

| | Level 1 | Level 2 | Level 3 |
|--------------------------------------|---------|---------|------------|
| | Rupees | | |
| At fair value through profit or loss | - | - | - |
| Available-for-sale | - | - | 65,457,000 |

- 24.7 The reconciliation from beginning to ending balance for assets measured at fair value using level 3 valuation technique is given below:

| | 2014 | 2013 |
|--------------------------|------------|------------|
| | Rupees | |
| Opening balances | 65,457,000 | 65,457,000 |
| Addition during the year | - | - |
| Provision for impairment | - | - |
| Closing balance | 65,457,000 | 65,457,000 |

25 Related Party Transactions

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

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

26 Date of Authorization For Issue

These financial statements have been authorized for issue by the Board of Directors of the Company on

08 OCT 2014

27 General


- 27.1 Figures have been re-arranged and re-classified wherever necessary, for the purpose of better presentation. No major reclassifications were made in these financial statements.

- 27.2 Figures have been rounded off to the nearest rupee.

Karachi

Dated : 08 OCT 2014


Chief Executive


Director