

**AAA Securities Private Limited
Financial Statements
For the Year Ended
June 30, 2015**



NASIR JAVAID MAQSOOD IMRAN

Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

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We have audited the annexed balance sheet of **AAA Securities (Private) Limited** ("the Company") as at June 30, 2015 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.

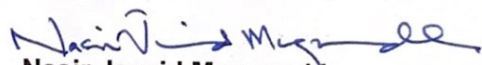
We conducted our audit in accordance with the Auditing Standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, 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 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, statement of changes in equity 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, 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, 2015 and of the loss, 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.

Date: Sept. 29, 2015
Place: Islamabad


Nasir Javaid Maqsood Imran
Chartered Accountants


IMRAN UL HAQ, FCA

AAA SECURITIES (PRIVATE) LIMITED
BALANCE SHEET AS AT 30 JUNE 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
NON - CURRENT ASSETS			
Property and equipment	4	3,210,396	3,296,187
Intangible assets	5	4,000,000	4,000,000
Long term deposits	6	400,000	400,000
Long term investment	7	30,346,030	30,346,030
CURRENT ASSETS			
Short term deposits and prepayments	8	551,138	1,530,349
Withholding tax	9	163,680	149,975
Cash and bank balances	10	16,808,272	11,593,340
		17,523,090	13,273,664
TOTAL ASSETS		<u>55,479,517</u>	<u>51,315,882</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
2,000,000 ordinary shares of Rupees 10 each		<u>20,000,000</u>	<u>20,000,000</u>
Issued, subscribed and paid up share capital			
2,000,000 ordinary shares of Rupees 10 each		20,000,000	20,000,000
Accumulated profit		<u>17,139,725</u>	<u>17,346,905</u>
Total equity		37,139,725	37,346,905
NON - CURRENT LIABILITIES			
Long term loan	11	7,695,031	7,695,031
CURRENT LIABILITIES			
Trade and other payables	12	160,000	80,000
Payable to account holders	13	10,484,762	6,193,946
		10,644,762	6,273,946
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES		<u>55,479,517</u>	<u>51,315,882</u>

The annexed notes 1 to 20 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

AAA SECURITIES (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 Rupees	2014 Rupees
REVENUE	14	224,486	81,854
Administrative expenses	15	(565,189)	(535,644)
OPERATING LOSS		<u>(340,704)</u>	<u>(453,790)</u>
Other income		133,523	45,824
(LOSS) BEFORE TAXATION		<u>(207,180)</u>	<u>(407,966)</u>
Taxation		-	-
(LOSS) AFTER TAXATION		<u><u>(207,180)</u></u>	<u><u>(407,966)</u></u>

The annexed notes 1 to 20 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

AAA SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 Rupees	2014 Rupees
(LOSS) AFTER TAXATION		(207,180)	(407,966)
Other comprehensive income:			
Items that may be reclassified to profit and loss		-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME		<u>(207,180)</u>	<u>(407,966)</u>

The annexed notes 1 to 20 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

AAA SECURITIES (PRIVATE) LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

	2015 Rupees	2014 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) for the year before taxation	(207,180)	(407,966)
Adjustments for non-cash charges and other items:		
Adjustment	-	(381,752)
Depreciation	85,791	98,263
Cash flows before working capital changes	(121,389)	(691,455)
Working capital changes:		
(Increase)/decrease in current assets		
Short term deposits and prepayments	979,212	27,690
Increase/(decrease) in current liabilities		
Payable to account holders	4,290,816	(777,892)
Trade and other payables	80,000	(212,899)
	5,350,027	(963,101)
Cash generated from operations	5,228,639	(1,654,556)
Taxes paid	(13,705)	-
Net cash from operating activities	5,214,934	(1,654,556)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	-
Net cash used in investing activities	-	-
Net increase in cash and cash equivalents	5,214,933	(1,654,556)
Cash and cash equivalents at the beginning of the year	11,593,340	13,247,896
Cash and cash equivalents at the end of the year	16,808,272	11,593,340

The annexed notes 1 to 20 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

AAA SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	Issued Subscribed & Paid up Capital	Un- appropriated profits/(loss)	Total
	-----Rupees-----		
Balance as at July 1, 2013	20,000,000	18,136,624	38,136,624
Comprehensive (loss) for the year ended June 30, 2014	-	(407,966)	(407,966)
Adjustments of last year	-	(381,752)	(381,752)
Balance as at June 30, 2014	<u>20,000,000</u>	<u>17,346,905</u>	<u>37,346,905</u>
Balance as at July 1, 2014	20,000,000	17,346,905	37,346,905
Comprehensive (loss) for the year ended June 30, 2015	-	(207,180)	(207,180)
Balance as at June 30, 2015	<u>20,000,000</u>	<u>17,139,725</u>	<u>37,139,725</u>

The annexed notes 1 to 20 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

AAA SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1 STATUS AND NATURE OF BUSINESS

AAA Securities (Private) Limited is a private company limited by shares and incorporated in Pakistan under the Companies Ordinance 1984 on June 23, 2004.

The company is engaged in stock brokerage business and registered as broker by SECP under Registration Number BRI - 60 dated September 27, 2004 situated at LG-10, Islamabad Stock Exchange Building, Blue Area, Islamabad.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Preparation of Financial Statements

These accounts have been prepared under the historical cost convention without incorporating any adjustments of the effect of inflation or current values except for available for sale investment the valuation basis of which are disclosed in relevant notes.

3.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting and financial reporting standards requires the management to make judgments, estimates and assumptions that effect the reporting amounts of assets and liability and income and expenses. These estimates and assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are as follows:

- i) Useful lives, pattern of economic benefits and impairments
- ii) Taxation

3.3 Property and equipment

a) Cost

Operating fixed assets are stated at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or recognized as a 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. All other repair and maintenance costs are charged to income during the year / period in which they are incurred.

b) Depreciation

Depreciation is charged to income on the straight-line method so as to write off the cost of an asset over its estimated useful life at the rates given in Note 4. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off. The residual values and useful lives of assets are reviewed by the management at each financial year end and adjusted if impact on depreciation is significant.

**AAA SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

c) Derecognition

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income statement in the year/period the asset is derecognized.

3.4 Impairment

The carrying values of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

3.5 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and cash at bank in current accounts. It is carried in the balance sheet at book value which approximates its fair value.

3.6 Taxation

The charge for current taxation is based on taxable income at the current rates after taking into accounts the tax credits and tax rebates available.

In order to facilitate the process of demutualization and corporatization of Stock Exchanges any gain on transfer of capital assets of the existing stock exchanges to new corporatized stock exchange has been exempted under newly inserted clause (110A) of the Income Tax Ordinance, 2001, amended through Finance Act 2007. Similarly, any gain on transfer of a capital asset, being a membership right held by a member of an existing stock exchange for acquisition of shares or trading rights by such member in a newly corporatized stock exchange has also been exempted under clause (110B) of Part I of Second Schedule to the Income Tax Ordinance, 2001 as shown in statement of comprehensive income.

3.7 Investment at fair value through profit or loss

These include investments classified as held for trading or upon initial recognition it is designated by the Company as at fair value through profit or loss. Investments which are acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains and losses recognized directly in income currently. Fair value of investments is their quoted bid price at the balance sheet date. Transaction costs are charged

3.8 Settlement Date Accounting

All "regular way" purchases and sales of financial assets are recognized on settlement date, i.e. the date on which the asset is delivered to or by the Company. Regular way purchases or sales of financial assets are those contracts which requires delivery of assets within the time frame generally established by regulation or convention in the market.

3.9 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 non-current assets unless management intends to dispose off the investments within twelve months from the balance sheet date.

Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. Investments in associates are accounted for using the equity method.

AAA SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the profit and loss account as a reclassification adjustment.

The Company assesses at each balance sheet date 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 that had been recognized in other comprehensive income shall be reclassified from equity to profit and loss account as a

3.9 Revenue Recognition

Capital gains or losses on sale of investments are recognized in the year in which they arise. Money market brokerage, consultancy and advisory fees are recognized as and when such services are provided.

Revenue is recognized as and when services are rendered.

4 PROPERTY AND EQUIPMENT

	Room In ISE	Furniture & Fixture	Computer Equipment	Accounting Software	Total
COST					
Balance as at June 30, 2013	2,500,000	1,313,250	285,950	40,000	4,139,200
Additions during the Year	-	-	-	-	-
Balance as at June 30, 2014	2,500,000	1,313,250	285,950	40,000	4,139,200
Balance as at June 30, 2014	2,500,000	1,313,250	285,950	40,000	4,139,200
Additions during the Year	-	-	-	-	-
Balance as at June 30, 2015	2,500,000	1,313,250	285,950	40,000	4,139,200
DEPRICIATION					
Balance as at June 30, 2013	-	462,890	243,473	38,386	744,749
Charge for the year	-	85,036	12,743	484	98,263
Balance as at June 30, 2014	-	547,926	256,216	38,870	843,013
Balance as at June 30, 2014	-	547,926	256,216	38,870	843,013
Charge for the year	-	76,532	8,920	339	85,791
Balance as at June 30, 2015	-	624,459	265,136	39,209	928,804
Written down value as at June 30, 2014	2,500,000	765,324	29,734	1,130	3,296,187
Written down value as at June 30, 2015	2,500,000	688,791	20,814	791	3,210,396
Rate of Depreciation		10%	30%	30%	

**AAA SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	Rupees 2015	Rupees 2014
5 INTANGIBLE ASSETS			
Trading Right Entitlement Certificate	5.1	4,000,000	4,000,000
		<u>4,000,000</u>	<u>4,000,000</u>

5.1 These represent Trading Right Entitlement Certificate (TREC) received from Islamabad Stock Exchange Limited (ISE) in accordance with the requirements of the Stock Exchanges Corporatisation, Demutualization and Integration) Act, 2012 (The Act). The company has also received shares of ISE after completion of the demutualization process. The TREC have been recorded at Rs. 4.00 million. For details, refer to note 7.1. The Board of Directors of ISE has implemented the requirement of the creating charge /hypothecation on TREC in compliance of the regulation 2.1 of the risk management regulation.

6 LONG TERM DEPOSITS

Deposits with:

CDC	100,000	100,000
ISE Clearing House	100,000	100,000
NCCPL	200,000	200,000
	<u>400,000</u>	<u>400,000</u>

7 LONG TERM INVESTMENT

Available for sale

Shares in Islamabad Stock Exchange Limited	7.1	<u>30,346,030</u>	<u>30,346,030</u>
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7.1 Pursuant to promulgation of the Stock Exchange (Corporatization, 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 ISEL and Trading Right entitlement Certificate (TREC) in lieu of membership card of ISE. The company entitlement in respect of ISEL shares is determined on the basis of valuation of assets and liabilities of ISE as approved by SECP and the Company has been allotted 3,034,603 shares of the face value of Rs. 10/- each. These include 60 % shares if ISEL, held in separate CDC blocked account to restrict the sale of these shares by the members whereas stock exchange will dispose of these shares under the provisions of this Act, however the proceeds of these shares and right to dividend/bonus are vested with the company whereas voting rights attached to these shares are suspended.

In absence of an active market for TREC, the company has taken the cost of TREC at Rs. 4.000 million, which is the value approved by the Board of Directors of ISEL and intimated to SECP. This fact indicates an acceptable level of value for TREC which is also used by the stock exchange for risk management and to safeguard investors' interest.

Consequently the company has recorded a surplus of Rs. 18,346,030/- on conversion of membership card of ISE to shares and TREC in equity through Statement of Comprehensive Income.

AAA SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

In order to facilitate the process of demutualization and corporatization of Stock Exchanges any gain on transfer of capital gain assets of the existing stock exchanges to new corporatized stock exchange has been exempted under newly inserted clause (110 A) of the Income Tax Ordinance 2001, amended through Finance Act 2007. Similarly, any gain on transfer of a capital assets, being a membership right held by a member of and existing stock exchange for acquisition of shares or trading rights by such member in a newly corporatization stock exchange has also been exempted under clause (110 B) of Part I of Second Schedule to the Income Tax Ordinance, 2001 as shown in statement of comprehensive income.

	Rupees	Rupees
	2015	2014
8 SHORT TERM DEPOSITS AND PREPAYMENTS		
Receivable from clients	471,138	1,450,349
Exposure margin deposits - ISE	80,000	80,000
	551,138	1,530,349
9 WITHHOLDING TAX		
Withholding tax opening balance	149,975	149,975
With held during the year	13,705	-
	163,680	149,975
Taxation	-	-
	163,680	149,975
10 CASH AND BANK BALANCE		
Cash in hand	1,940	4,118
Cash at bank on current accounts	16,806,332	11,589,222
	16,808,272	11,593,340
11 LONG TERM LOAN		
This loan is obtained from relatives of directors to manage liquidity. It is unsecured, interest free and its repayment terms have not been decided yet.		
12 TRADE AND OTHER PAYABLES		
Audit fee	160,000	80,000
	160,000	80,000
13 PAYABLE TO ACCOUNT HOLDER		
Payable to regular account holders	10,484,762	6,193,946
	10,484,762	6,193,946
14 REVENUE		
Brokerage Commission	224,486	81,854
	224,486	81,854

**AAA SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	Rupees 2015	Rupees 2014
15 ADMINISTRATIVE AND GENERAL EXPENSES			
Electricity		34,935	35,472
Telephone		20,277	20,620
Water charges		2,871	3,828
News papers & periodicals		4,370	4,788
NCSS charges		6,525	3,184
CDC charges		29,418	16,713
SECP Fee		50,025	50,025
Terminal Display cost		30,000	24,000
ISE Annual Membership Fee		-	1,000
Depreciation		85,791	98,263
Service Charges		170,000	142,500
Miscellaneous Expenses		14,262	41,533
Audit Fee		80,000	80,000
Bank Charges		170	22
Fee and Taxes		28,810	5,961
Property Tax		7,735	7,735
		<u>565,189</u>	<u>535,644</u>
16 OTHER INCOME			
Other Income		<u>133,523</u>	<u>45,824</u>

17 SUBSEQUENT EVENT

Subsequent to the year end, the Islamabad Stock Exchange (ISE) has entered into a MOU on August 25, 2015 with Karachi Stock Exchange Limited and Lahore Stock Exchange Limited with the objective to form an integrated stock exchange for development of capital market of Pakistan under the name of Pakistan Stock Exchange Limited (PSE). As a result of this proposed integration and upon approval of the proposed scheme by the Commission under section 18 of Stock Exchange (Corporation, Demutualization and Integration) Act, 2012 :-

- a) TRE Certificate holders shall become the TRE Certificate Holders of the PSE having the right to transfer TRE Certificate
- b) Islamabad Stock Exchange shall cease to exist as a stock exchange.
- c) The value of shares in Islamabad Stock Exchange and the value of TREC as mentioned respectively in **note 5 & 7** to the financial statements will be changed.

The financial impact of these impacts is impracticable to mention because the valuation of TREC in PSE and shares in ISE will be carried out after issuance of these financial statements.

18 NUMBER OF EMPLOYEES

Nil

Nil

19 DATE OF AUTHORIZATION FOR ISSUE


These financial statements were authorized for issue on 05-10-2015 by the Board of Directors of the Company.



AAA SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

20 GENERAL

Figures have been rounded off to the nearest Rupee.



CHIEF EXECUTIVE



DIRECTOR