


INSTITUTE OF CAPITAL MARKETS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
KARACHI

A member firm of

PRICEWATERHOUSECOOPERS 

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Institute of Capital Markets** as at June 30, 2010 and the related statement of income and expenditure, 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 income and expenditure 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 agreement 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, statement of income and expenditure, statement of changes in equity and cash flow statement 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, 2010 and of the deficit, 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.



Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: October 21, 2010

Karachi

DIRECTORS' REPORT

The directors are pleased to present the first Annual Report of the Institute of Capital Markets for the year ended 30 June 2010.

Background

Institute of Capital Markets (ICM), Pakistan's first securities market institute, was established to meet the skill needs of capital markets through creation of a permanent platform to develop human capital with certified knowledge and undertaking of independent research. The Institute has been mandated to conduct licensing certification examinations for different segments of the market and develop skilled professionals who are; i) familiar with international best practices; ii) sensitized to the need of ethical behaviour and; iii) capable to deal and advise on instruments that are currently traded and also on new products. ICM is also mandated to provide a forum for research and development, exchange of ideas and eventually consulting services to financial markets.

During the conceptualization and formation of the Institute there were initially some, though unfounded, apprehensions about acceptability by the professionals working in the capital markets of the *raison d'etre* of the ICM and even of possible resistance to the introduction to the Pakistan's capital markets of the new concept of obligatory certification examination requirements; starting from the front desk functionaries' operating in the market. Despite the immense challenges faced by the capital markets including the mutual fund industry during the period; the concept of the compulsory certification was not only accepted by the market players but most quarters even appreciated and regarded the initiative of the ICM as the fulfilment of a long overdue need. There exists a visible appreciation amongst the market participants that apart from specific job related skills, the capital market industry depends extensively on the personal integrity and mutual trust between qualified practitioners, and also between practitioners and their clients. The Institute's modest efforts in this regard have begun to be recognized.

Major Activities during the Period

The ICM today has come a long way from where it was at this point in time last year. The institute has commenced its core activities and initiated the conduct of its first certification examinations. The two programmes were launched in the

first quarter of the calendar year 2010, these programmes have already been mandated for specified professionals by the SECP and are; i) Stock Brokers Certification Examination for: ‘brokers, traders, sales agents, professionals working at equity brokers/ brokerage houses and providing buying/selling investment advice to clients’ and; ii) Mutual Fund Sales Agents Certification Examination for: ‘mutual funds sales agents, professional working at the fund management companies and/ or their agents and selling mutual and pension fund products’. Though the study and reference guides for the programmes were disseminated in early January 2010 but the enthusiastic acceptance by the professionals working in the markets is sufficiently reflected in the fact that 61 applications had been received under the grandfathering provisions of the Stock Brokers certification programme and also in the numbers contained in the tables below:

Status of Stock Brokers Certification (as of June 30, 2010)

Total Enrolled: 85

| No. | Examination Date | Registered for Examination | Appeared in Examination | Passed | Failed |
|------------|-------------------------|-----------------------------------|--------------------------------|---------------|---------------|
| 1 | 28-02-2010 | 33 | 33 | 4 | 29 |
| 2 | 30-05-2010 | 18 | 18 | 7 | 11 |
| | Total | 51 | 51 | 11 | 40 |

Status of Mutual Fund Sales Agent Certification (as of June 30, 2010)

| No. | Examination Date | Registered for Examination | Appeared in Examination | Passed | Failed |
|------------|-------------------------|-----------------------------------|--------------------------------|---------------|---------------|
| 1 | 28-02-2010 | 36 | 36 | 6 | 30 |
| 2 | 30-05-2010 | 51 | 42 | 19 | 23 |
| | Total | 87 | 78 | 25 | 53 |

Total Enrolled: 153

A fully functional website has been developed and put in place with a wealth of resource material that is relevant to knowledge requirements of any prospective candidate. A small collection of relevant high value books has also been developed through the courtesy of Asian Development Bank (ADB). The perpetual revolving calendar for the scheduling of the certification examinations has also been announced so as to dispense with any uncertainties or doubts about the scheduling of examinations and also to create predictability for the candidates desirous of appearing in the examinations. The examinations have

been scheduled to be held on last Sunday of every quarter starting February 2010 followed by the last Sunday of May, August and November. This quarterly cycle has been so designed that the examination dates should not coincide with the financial closures in the companies.

Future Agenda

The next programme needed and waiting to be launched is the Analyst Certification Programme (ACP) that is meant for 'professionals/investment advisers at Non-Banking Financial Companies (NBFC), research firms and brokerage houses'. ACP, as already decided, is a two component programme: Module I: "Pakistan Markets and Regulations" Examination; Module II: "Professional Component" (CFA Level-I or any other equivalent qualification as decided by ICM Board). ICM was to prepare 'Study and Reference Guide' and conduct the examination for ACP's Module I which is a domestic regulation based module comprising elements of local rules, regulations and practices. ICM is also to develop a local equivalent certification examination for Module II. The local component of CFA level I (Module II of ACP) is an extensive programme and requires a fairly large amount of working and is presently under preparation. The programme will be titled as; "Financial Analysis, Modelling and Valuation Certification Examination" and will serve as the Module-II of Analyst Certification Program (ACP). The ACP certification is to be mandated for "Research Analysts working either in equity brokerage houses, asset management companies or working independently, signing off research reports, prospectuses or similar other public documents". The 'ACP Certification programme' is intended to be formally launched soon and the Institute will start taking enrolments for the programme immediately thereafter, while first examinations will be held early 2011.

There is recognition of an urgent need for creating an understanding of the basic concepts of operational risks in the capital markets. Therefore, it is proposed to introduce, immediately after the introduction of ACP Module I, a 'Basic Risk Management Certification Examination' that will be extremely relevant for; 'designated risk management staff working at the Equity Brokerage Houses, AMCs and Stock Exchanges who may also performing market surveillance operations'. This will be a basic programme and will cover concepts of operational risk with respect to risk categories and their management in the context of capital market. The launching of Risk Management Programme is intended to be followed by; i) Compliance officers' Certification Examination – I; for: 'designated Compliance officers working at Equity Brokerage Houses' and ii) Compliance Officers Certification Examination - II for: 'designated Compliance officers working at Asset Management Companies'.

In light of the interactions with the various important market stakeholders and the feedback received, over the year, from other sources, the Institute will during the year 2010-11 will try to develop and introduce the concept and a certification programme for 'Independent Financial Advisors' so as to increase the outreach of the capital market. The Institute also intends an independent, product/institutionally neutral research study that will develop specific recommendations for improving and deepening of capital markets in Pakistan. ICM will first try to explore funding from the donors and a proposal has already been sent to the World Bank for support under the IDF grant, in failure to obtain external funding the Institute will undertake the activities on its own.

Evaluation of Programmes

To ensure right quality of the certification programmes offered by the ICM and also that these programmes are contemporary to the needs, in tune with the internationally accepted best practices and that their content is appropriate, these programmes are being independently evaluated by the Chartered Institute of Securities and Investments (CISI) through an ADB funded support. Some very useful initial comments were received from the CISI that have now been incorporated and revised editions of the 'Study and Reference Guides' of the existing programmes have been prepared and forwarded to all registered candidates.

Auditors

The auditors, M/s A.F. Ferguson & Co offered themselves for re-appointment and have been re-appointed on the existing remunerations.

Directors;

During the period there were only three changes amongst the directors of the Institute;

Mr. S Gulrez Yazdani nominee director for the SECP was replaced by Mr. Sohail Dayala Commissioner SMD at the SECP. After a general selection process Mr. Yazdani was appointed as the CEO of the Institute by the Board of Directors.

Mr. Muhammad Amjad Khan resigned and Mr. Samir Ahmed joined the Board of Director as the new nominee director for the National Commodity Exchange Limited.

Mr Aftab Ahmad Ch. resigned and instead Mr. Imtiaz Haider joined the Board of Director as the new nominee director for the Islamabad Stock Exchange.

Closing remarks.

Capital markets in recent past have witnessed some instances of serious excesses and irrational behaviours which are now under process of reversal/correction and this may take some time to be completely corrected as the macro-economic imbalances improve and stabilize. However, there is little doubt in minds of the country's economic managers that capital markets are critical to the social and economic future of the country. However, the markets to develop on a sustainable basis require appropriate skills, ethical behaviour by the participants, a strong policy support and that the entire industry dynamics need to be handled with utmost care and caution so as to minimize any shocks.

The movement forward of the ICM, despite extreme resource and manpower constraints, are appreciable but this calls not for complacency but enhanced efforts to improve the quality of existing programmes, expediting introduction of new programmes and creation and initiation of research capacity. It also calls for propagating culture of ethical behaviour as a norm and not merely as another compliance requirement.

Acknowledgement

The Directors also acknowledge the contributions made by the employees for their services to the Institute.

On behalf of the Board

Karachi
14 October 2010

Nasim Beg
Chairman
Institute of Capital Markets

INSTITUTE OF CAPITAL MARKETS
BALANCE SHEET
AS AT JUNE 30, 2010

| | Note | 2010 | 2009 |
|--|------|--------------------|--------------------|
| | | Rupees | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 4 | 1,967,599 | 1,182,197 |
| Intangible assets | 4 | 22,965 | 25,636 |
| | | <u>1,990,564</u> | <u>1,207,833</u> |
| Current Assets | | | |
| Profit receivable on bank deposits | | 79,517 | 130,126 |
| Prepaid insurance | | 22,180 | - |
| Cash and bank balances | 5 | 10,800,386 | 17,592,209 |
| | | 10,902,083 | 17,722,335 |
| | | <u>12,892,647</u> | <u>18,930,168</u> |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Authorised capital 10,000 ordinary shares of Rs 5,000 each | | <u>50,000,000</u> | <u>50,000,000</u> |
| Issued, subscribed and paid up capital 3,800 ordinary shares of Rs 5,000 each | 6 | 19,000,000 | 19,000,000 |
| Accumulated deficit | | <u>(7,241,090)</u> | <u>(1,132,499)</u> |
| | | 11,758,910 | 17,867,501 |
| Non-current liabilities | | | |
| Deferred income | 7 | 733,197 | 1,047,666 |
| Current liabilities | | | |
| Creditors and accrued expenses | 8 | 91,415 | - |
| Annual audit fee payable | | 50,000 | - |
| Withholding tax payable on salaries | | 121,725 | - |
| Salaries payable to employees | | 137,400 | 15,001 |
| | | 1,133,737 | 1,062,667 |
| | | <u>12,892,647</u> | <u>18,930,168</u> |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 9 | | |

The annexed notes 1 to 14 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

INSTITUTE OF CAPITAL MARKETS
 STATEMENT OF INCOME AND EXPENDITURE
 FOR THE YEAR ENDED JUNE 30, 2010

| | Note | For the year ended June 30, 2010 | For the period from August 21, 2008 to June 30, 2009 |
|--|------|--|--|
| Rupees | | | |
| Revenue | 10 | 2,630,652 | 1,837,626 |
| General and administration expenses | 11 | (8,739,243) | (2,970,125) |
| Deficit for the year/ period before taxation | | <u>(6,108,591)</u> | <u>(1,132,499)</u> |
| Taxation | 12 | - | - |
| Deficit for the year/ period after taxation | | <u><u>(6,108,591)</u></u> | <u><u>(1,132,499)</u></u> |

The annexed notes 1 to 14 form an integral part of these financial statements.

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 CHIEF EXECUTIVE


 DIRECTOR

INSTITUTE OF CAPITAL MARKETS
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

| | Note | For the year ended June 30, 2010 | For the period from August 21, 2008 to June 30, 2009 |
|--|------|--|--|
| Rupees | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Deficit for the year / period before taxation | | (6,108,591) | (1,132,499) |
| Adjustments for: | | | |
| Depreciation | | 621,656 | 314,469 |
| Amortisation of intangible asset | | 2,671 | 1,076 |
| Amortisation of deferred income | | (314,469) | (449,000) |
| Profit on bank deposits | | (1,242,927) | (1,020,626) |
| | | <u>(7,041,660)</u> | <u>(2,286,580)</u> |
| Increase/ (decrease) in working capital | | | |
| Prepaid insurance | | (22,180) | |
| Creditors and accrued expenses | | 91,415 | - |
| Annual audit fee payable | | 50,000 | - |
| Withholding tax payable on salaries | | 121,725 | - |
| Salaries payable to employees | | 122,399 | 15,001 |
| Profit received on bank deposits | | 1,293,536 | 890,500 |
| Net cash used in operating activities | | <u>(5,384,765)</u> | <u>(1,381,079)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of intangible asset | | - | (26,712) |
| Fixed capital expenditure | | (1,407,058) | - |
| Net cash outflow on investing activities | | <u>(1,407,058)</u> | <u>(26,712)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Cash received on issuance of shares | | - | 19,000,000 |
| Net cash inflow from financing activities | | <u>-</u> | <u>19,000,000</u> |
| Net (decrease)/ increase in cash and cash equivalents | | <u>(6,791,823)</u> | <u>17,592,209</u> |
| Cash and cash equivalents at the beginning of the year / period | | 17,592,209 | - |
| Cash and cash equivalents at the end of the year / period | 5 | <u><u>10,800,386</u></u> | <u><u>17,592,209</u></u> |

The annexed notes 1 to 14 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

**INSTITUTE OF CAPITAL MARKETS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010**

| | Issued, subscribed and paid up capital | Accumulated deficit | Total |
|---|---|------------------------|-------------------|
| | ----- Rupees ----- | | |
| Shares issued during the period | 19,000,000 | - | 19,000,000 |
| Deficit after taxation for the period ended June 30, 2009 | - | (1,132,499) | (1,132,499) |
| Balance as at June 30, 2009 | 19,000,000 | (1,132,499) | 17,867,501 |
| Deficit after taxation for the year ended June 30, 2010 | - | (6,108,591) | (6,108,591) |
| Balance as at June 30, 2010 | 19,000,000 | (7,241,090) | 11,758,910 |

The annexed notes 1 to 14 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

1 THE COMPANY AND ITS OPERATIONS

Institute of Capital Markets (the company) is a company limited by guarantee and having a share capital and was incorporated in Pakistan under the Companies Ordinance, 1984 on August 21, 2008. The registered office of the company is situated at 5th Floor, State Life Building No. 2, I. I. Chundrigar Road, Karachi.

The main object of the company is to provide an institution that promotes any scheme or certification program to enhance the knowledge and educational standards of capital market professionals, including intermediaries, analysts, staff of the stock and commodities exchanges, companies linked with the exchanges and also of regulatory bodies for advancement in the fields of Finance, Investment and Portfolio Management, securities valuation and allied subjects relevant to all or any of the service relating to the capital markets and matters

2 STATEMENT OF COMPLIANCE

In accordance with SRO 860(1)/2007 dated August 21, 2007 issued by the Securities and Exchange Commission of Pakistan (SECP) all Medium Sized Entities (MSE) and Small Sized Entities (SSE) as defined in Technical Release (TR) - 5, 'IASB standards- Council's Statement on applicability (Revised 2006)', have been directed to follow the Accounting and Financial Reporting Standard (AFRS) for Medium Sized Companies and Small Sized Companies, whichever is applicable, with regard to preparation and presentation of their financial statements.

The company falls within the purview of Small Sized Entities under the criteria set out in Technical Release (TR) - 5, 'IASB standards - Council's Statement on applicability (Revised 2006)'. Accordingly, these financial statements have been prepared in accordance with approved accounting standards for SSEs, as applicable in Pakistan. Approved accounting standards comprise of AFRS for SSEs issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 prevail.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective policies and notes given as hereunder

The significant accounting policies applied in the preparation of these financial statements are set out below.

3.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the approved accounting standards for SSEs as applicable in Pakistan requires the use of certain significant accounting estimates. It also requires the management to exercise its judgment in the process of applying the company's accounting policies. The areas where various assumptions and estimates are significant to the company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) Intangible assets (note 3.3.2 and 4)
- ii) Provision for depreciation and amortisation (note 3.3.1, 3.3.2 and 4)

3.3 FIXED ASSETS

3.3.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation on property, plant and equipment is charged using the straight line method in accordance with the rates specified in note 4.1 to these financial statements. The residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation is charged on additions from the day the asset is available for use and on disposals upto the date preceding the date of disposal.

Gains and losses on disposals of assets, if any, are included in the statement of income and expenditure.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the asset will flow to the company and the cost of the item can be measured reliably. All other maintenance charges are charged to the statement of income and expenditure as and when incurred.

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3.3.2 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the asset will flow to the company and the cost of the item can be measured reliably. All other maintenance charges are charged to the statement of income and expenditure as and when incurred. Amortisation on intangible assets is charged using the straight line method in accordance with the rates specified in note 4.1 to these financial statements. The residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

3.4 Impairment of assets

The carrying amount of assets are reviewed for impairment at each balance sheet date whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the statement of income and expenditure.

3.5 Loans, advances, prepayments and other receivables

These are stated at cost less estimates made for doubtful receivables based on review of all outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

3.6 Provisions

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

3.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and cash at bank.

3.8 Revenue recognition

Revenue is recognised on accrual basis.

3.9 Grants

Grants are recognised at fair value in the balance sheet when there is a reasonable assurance that the grant will be received and that the company will comply with all the attached conditions.

Grants relating to fixed assets are recorded as deferred revenue in the balance sheet and recognised as income on a systematic basis over the useful lives of the assets acquired from the grant.

3.10 Donation

Donation is recognised at fair value in the balance sheet when it is received and there is a reasonable assurance that the company will comply with all the attached conditions

3.11 Taxation

The company had applied to the Federal Board of Revenue under section 2(36)(c) of the Income Tax Ordinance, 2001 read with Rules 212 and 220 of the Income Tax Rules, 2002 for exemption of income tax. The application for exemption is pending with the Federal Board of Revenue.

3.12 Financial instruments

Financial instruments carried on the balance sheet include loans, advances and other receivables, cash and bank balances and creditors, accrued and other liabilities.

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are offset when the company has a legally enforceable right to offset and it intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

3.13 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Pakistani Rupees, which is the company's functional and presentation currency.

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| 4 | FIXED ASSETS | Note | 2010 | 2009 |
|---|-------------------------------|------|------------------|------------------|
| | | | Rupees | |
| | Property, plant and equipment | 4.1 | 1,967,599 | 1,182,197 |
| | Intangible assets | 4.1 | 22,965 | 25,636 |
| | | | <u>1,990,564</u> | <u>1,207,833</u> |

4.1 The following is a statement of property, plant and equipment and intangible assets:

| | ----- Year ended June 30, 2010 ----- | | | | |
|--|--|----------------|---------------------|------------------------------|-------------------|
| | Property, plant and equipment | | | | Intangible assets |
| | Motor Vehicles | Computers ** | Office equipment ** | Total operating fixed assets | Computer software |
| | -----Rupees----- | | | | |
| As at June 30, 2010 | | | | | |
| Cost | - | 850,800 | 645,866 | 1,496,666 | 26,712 |
| Accumulated depreciation | - | (176,466) | (138,003) | (314,469) | (1,076) |
| Net book value | - | <u>674,334</u> | <u>507,863</u> | <u>1,182,197</u> | <u>25,636</u> |
| Additions | 1,395,058 | 12,000 | - | 1,407,058 | - |
| Disposals / write-off | | | | | |
| Cost | - | - | - | - | - |
| Accumulated depreciation / amortisation | - | - | - | - | - |
| Depreciation / amortisation charge for the year | (172,646) | (255,250) | (193,760) | (621,656) | (2,671) |
| Closing net book value | <u>1,222,412</u> | <u>431,084</u> | <u>314,103</u> | <u>1,967,599</u> | <u>22,965</u> |
| As at June 30, 2010 | | | | | |
| Cost | 1,395,058 | 862,800 | 645,866 | 2,903,724 | 26,712 |
| Accumulated depreciation / amortisation | (172,646) | (431,716) | (331,763) | (936,125) | (3,747) |
| Net book value | <u>1,222,412</u> | <u>431,084</u> | <u>314,103</u> | <u>1,967,599</u> | <u>22,965</u> |
| Depreciation / amortisation rate (% per annum) | 20 | 30 | 30 | | 10 |
| | ----- Period ended June 30, 2009 ----- | | | | |
| | Property, plant and equipment | | | | Intangible assets |
| | Motor Vehicles | Computers ** | Office equipment ** | Total operating fixed assets | Computer software |
| | -----Rupees----- | | | | |
| As at June 30, 2009 | | | | | |
| Cost | - | - | - | - | - |
| Accumulated depreciation | - | - | - | - | - |
| Net book value | - | - | - | - | - |
| Additions | | 850,800 | 645,866 | 1,496,666 | 26,712 |
| Disposals / write-off | | | | | |
| Cost | - | - | - | - | - |
| Accumulated depreciation / amortisation | - | - | - | - | - |
| Depreciation / amortisation charge for the period | - | (176,466) | (138,003) | (314,469) | (1,076) |
| Closing net book value | <u>-</u> | <u>674,334</u> | <u>507,863</u> | <u>1,182,197</u> | <u>25,636</u> |
| As at June 30, 2009 | | | | | |
| Cost | - | 850,800 | 645,866 | 1,496,666 | 26,712 |
| Accumulated depreciation / amortisation | - | (176,466) | (138,003) | (314,469) | (1,076) |
| Net book value | <u>-</u> | <u>674,334</u> | <u>507,863</u> | <u>1,182,197</u> | <u>25,636</u> |
| Depreciation / amortisation rate (% per annum) | 20 | 30 | 30 | | 10 |

** Computers and office equipment have been given as a grant by the Securities and Exchange Commission of Pakistan as more fully explained in note 6 to these financial statements.

| 5 | CASH AND BANK BALANCES | 2010 | 2009 |
|---|---------------------------------------|-------------------|-------------------|
| | | Rupees | |
| | Cash in hand | - | 26,793 |
| | Balances with bank in savings account | 10,800,386 | 17,565,416 |
| | | <u>10,800,386</u> | <u>17,592,209</u> |

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- 6 The Company is limited by guarantee having share capital as explained in note 1 to these financial statements and has 18 members. Each member of the Company has undertaken to contribute an amount not exceeding Rs 50,000 to the assets of the Company in the event of its being wound up while he is a member or within one year after he ceases to be a member, for payment of the debts and liabilities of the Company contracted before he ceases to be a member, and the costs, charges and expenses of winding up the same and for the adjustment of the rights of the contributories among themselves.

| | 2010 | 2009 |
|-------------------|----------------|------------------|
| | Rupees | |
| 7 DEFERRED INCOME | <u>733,197</u> | <u>1,047,666</u> |

This amount represents the unamortised deferred income on grant received from the Securities and Exchange Commission of Pakistan. This grant has been provided in the form of computers and office equipment amounting to Rs 1,496,666 without any conditions for the use of the equipment and computers. An amount of Rs 763,469 has been amortised upto the year ended June 30, 2010.

8 CREDITORS AND ACCRUED EXPENSES

These include payable with respect to facilities obtained from third parties for conducting online examination of candidates, web hosting services and other miscellaneous expenses.

9 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as on June 30, 2010.

| | Note | For the year ended June 30, 2010 | For the period from August 21, 2008 to June 30, 2009 Rupees |
|---|------|--|--|
| 10 REVENUE | | | |
| Amortisation of deferred income | | 314,469 | 449,000 |
| Profit on bank deposits (net of withholding tax of Rs 138,103; 2009: Rs 113,402) | | 1,242,927 | 1020626 |
| Donation from Securities and Exchange Commission of Pakistan | | - | 368,000 |
| Revenue from Candidate Fee | | <u>1,073,256</u> | - |
| | | <u>2,630,652</u> | <u>1,837,626</u> |

11 GENERAL AND ADMINISTRATION EXPENSES

| | | | |
|------------------------------------|-----|------------------|------------------|
| Salaries and benefits | | 7,463,140 | 2,484,529 |
| Telephone and internet charges | | 36,050 | 9,510 |
| Travelling and conveyance expenses | | 18,980 | 71,840 |
| Domain registration charges | | - | 3,000 |
| Printing and publication expense | | 93,755 | 1,500 |
| Stationery and office supplies | | 53,591 | 2,326 |
| Entertainment expense | | - | 825 |
| Stamp duty charges | | - | 55,200 |
| Depreciation expense | 4.1 | 621,656 | 314,469 |
| Courier charges | | 27,508 | - |
| Auditors' remuneration | | 50,000 | 25,000 |
| Bank charges | | 3,298 | 850 |
| Amortisation expense | 4.1 | 2,671 | 1,076 |
| Examination (NTS) Expense | | 118,500 | - |
| Web development and maintenance | | 179,880 | - |
| Consultancy fee | | 18,800 | - |
| Insurance | | 36,104 | - |
| Miscellaneous expenses | | <u>15,310</u> | - |
| | | <u>8,739,243</u> | <u>2,970,125</u> |

AJH

12 TAXATION

During the current year, the company has suffered a loss. The company had already applied to the Federal Board of Revenue under section 2(36)(c) of the Income Tax Ordinance, 2001 read with Rules 212 and 220 of the Income Tax Rules, 2002 for exemption of income tax. The application for exemption is pending with the Federal Board of Revenue.

13 TRANSACTIONS WITH RELATED PARTIES

All the members of the Company, their related entities and the key management personnel are considered as the related parties of the company.

Transactions with related parties are summarised as follows:

| | Year ended June 30, 2010 | |
|---|--------------------------|-----------------------|
| | Key management Personnel | Other related parties |
| | ----- (Rupees) ----- | |
| Transaction during the year | | |
| Remuneration of the Chief Executive Officer | 5,591,388 | |
| Candidate fee paid by Arif Habib Investments Limited for certification courses taken by its employees | | 109,696 |

Moreover, the rent-free furnished premises which has been provided by Arif Habib Investments Limited to the company was used by the company during the year.

As at June 30, 2010, there were no balances outstanding with the related parties.

| | For the period from August 21, 2008 to June 30, 2009 | |
|---|--|-----------------------|
| | Key management Personnel | Other related parties |
| | ----- (Rupees) ----- | |
| Transaction during the year | | |
| Remuneration of the Chief Executive Officer | 2,370,042 | |

Moreover, the rent-free furnished premises which had been provided by the Securities and Exchange Commission of Pakistan to the company was used by the company during the period.

As at June 30, 2009, there were no balances outstanding with the related parties.

14 DATE OF AUTHORISATION

These financial statements were authorised for issue on by the Board of Directors of the company.

15 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. No major reclassifications were made except that:

- 'Tangible assets' have been reworded as 'Property, plant and equipment'
- 'Conveyance expenses' have been clubbed under 'Travelling and conveyance expenses'
- 'Internet expense' has been clubbed under "Telephone and internet charges"

16 GENERAL

Figures have been rounded off to the nearest rupee.


CHIEF EXECUTIVE


DIRECTOR