



# Financial statements

For the year ending June 30, 2013

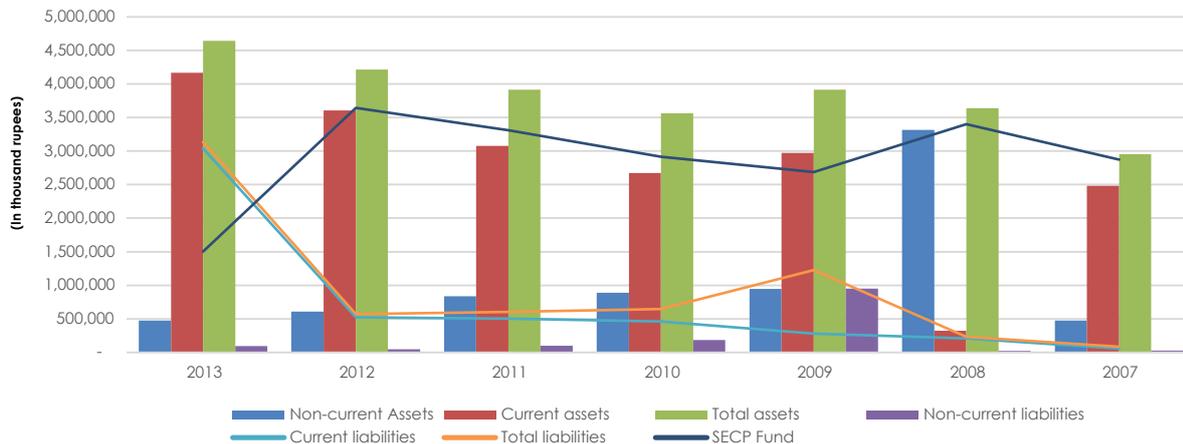
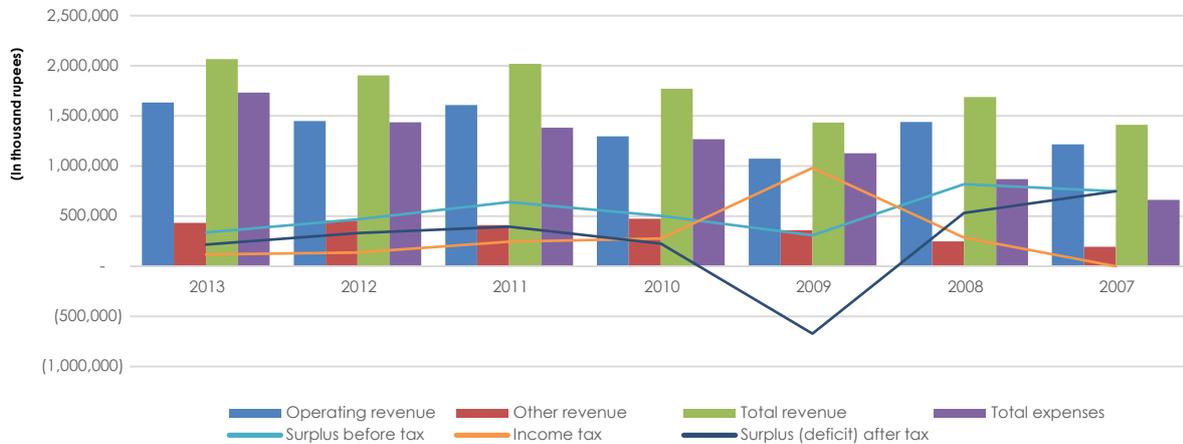


## Financial highlights

(In thousand rupees)

	2013	2012	2011	2010	2009	2008	2007
Operating revenue	1,635,749	1,450,123	1,609,270	1,296,162	1,073,935	1,439,026	1,216,923
Other revenue	432,536	456,232	411,845	475,402	360,821	248,275	192,672
Total revenue	2,068,285	1,906,355	2,021,115	1,771,564	1,434,756	1,687,301	1,409,595
Total expenses	1,731,843	1,437,727	1,381,027	1,268,067	1,126,197	869,026	661,449
Surplus before tax	336,442	468,628	640,088	503,497	308,559	818,275	748,146
Income tax	118,861	136,981	244,193	277,112	980,606	286,396	-
Surplus (deficit) after tax	217,581	331,647	395,895	226,385	(672,047)	531,879	748,146

	2013	2012	2011	2010	2009	2008	2007
Non-current assets	473,453	606,996	836,210	889,403	944,845	3,315,547	473,314
Current assets	4,167,557	3,605,624	3,076,154	2,670,454	2,970,804	321,612	2,481,761
Total assets	4,641,010	4,212,620	3,912,364	3,559,857	3,915,649	3,637,159	2,955,075
Non-current liabilities	95,798	46,739	98,556	184,965	949,539	25,153	27,907
Current liabilities	3,040,279	524,958	504,532	461,511	279,114	209,490	56,531
Total liabilities	3,136,077	571,697	603,088	646,476	1,228,653	234,643	84,438
SECP Fund	1,504,933	3,640,923	3,309,276	2,913,381	2,686,996	3,402,516	2,870,637





## Financial performance

The financial results of the SECP for the year 2012-13 show a surplus of income over expenditure—after tax—Rs217.58 million as against the budgeted surplus of Rs170.94 million, registering an increase of Rs 46.64 million (27%).

The total revenues for the financial year 2012-13 are Rs2,068 million which are higher by Rs162 million as compared to last year's revenue of Rs1,906 million. The revenues of the Company Law Division, Securities Market Division, Specialized Companies Division and Insurance Division increased during the year when compared to last year's revenues. The income from investment decreased by Rs48 million, mainly due to a decrease in the discount rate by the State Bank of Pakistan.

The revenue expenses for the period under review are within the budgeted parameters showing an overall 10.8 % reduction against the budget for the year. The total expenses for the year under review are Rs1,731 million showing an increase of Rs292 million over the last year. The increase is mainly due to hiring of staff on vacant positions during the year, increased cost of utilities, rent expenses and other operating expenses. The capital expenditures for the year are also as per approved budget for the year.

Twenty million rupees received as penalties by all the operating departments of the SECP during the year ending June 30, 2013 and surplus funds, as on June 30, 2013, amounting to Rs2,368 million have been transferred to the federal consolidated fund (FCF).

In July 2013, the SECP shifted from standalone accounting software to Oracle ERP. The finance, administration and human resources departments have been fully integrated. All the current processes have been upgraded to match the standard international practice. The SECP has a sound system of internal controls, which has been further strengthened after the implementation of Oracle ERP.

### Future outlook

As a consequence of the amendment to the 1997 SECP Act—through the 2012 Finance Act—surplus funds for the year, after payment of tax, are to be transferred to the FCF, and any deficit in a year will be made up by the federal government. The SECP will do its best to generate revenues not only to meet its expenditures, but also to have a surplus at the end of the year. The income on investment used to be one of the major sources of income for the SECP. After the transfer of surplus funds, the income from investment will be insignificant. The SECP will explore alternative sources of revenue to at least achieve the breakeven point. The revenues from all the operating divisions are showing upward trends. The SECP will also ensure that the revenue targets approved by the Policy Board for the year 2013-14 are achieved and expenses for the year remain within the approved budgetary limits.



**A. F. FERGUSON & CO.**

**INDEPENDENT AUDITORS' REPORT  
TO THE FEDERAL GOVERNMENT OF PAKISTAN**

We have audited the accompanying financial statements of the Securities and Exchange Commission of Pakistan (the Commission), which comprise the statement of financial position as at June 30, 2013 and the statement of comprehensive income, the statement of cash flows and the statement of changes in funds for the year then ended and a summary of significant accounting policies and other explanatory notes.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements give a true and fair view of the financial position of the Commission as at June 30, 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

We draw attention to the note 12 to the financial statements which describes the reason for transfer of SECP funds to the Federal Consolidated Fund in pursuance of the amendment made in the Securities and Exchange Commission of Pakistan Act 1997 by the Finance Act 2012. Our opinion is not qualified in respect of this matter.

Chartered Accountants  
Islamabad: September 16, 2013

Engagement partner: S. Haider Abbas

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2013

	Note	2013 (Rupees in thousand)	2012
<b>NON-CURRENT ASSETS</b>			
Property and equipment	4	385,788	252,847
Intangibles	5	48,649	20,608
Long term investments	6	-	300,000
Loans and advances	7	39,016	33,541
<b>CURRENT ASSETS</b>			
Advances, deposits, prepayments and other receivables	8	443,069	336,748
Short term investments	9	3,598,599	3,069,274
Cash and bank balances	10	125,889	199,602
		<u>4,167,557</u>	<u>3,605,624</u>
<b>CURRENT LIABILITIES</b>			
Accrued and other liabilities	11	(686,708)	(524,958)
Payable to Federal Consolidated Fund	12	(2,353,571)	-
Net current assets		1,127,278	3,080,666
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation	13	(6,428)	12,825
Deferred liability	14	(89,370)	(59,564)
Net assets		<u>1,504,933</u>	<u>3,640,923</u>
<b>REPRESENTED BY:</b>			
<b>SECP FUND</b>		<u>1,504,933</u>	<u>3,640,923</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	15		

The annexed notes 1 to 26 form an integral part of these financial statements.

CHAIRMAN

COMMISSIONER



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 (Rupees in thousand)	2012 (Rupees in thousand)
<b>INCOME</b>			
Fees and other recoveries	16	1,635,749	1,450,123
Other income	17	432,536	456,232
		<u>2,068,285</u>	<u>1,906,355</u>
<b>EXPENDITURE</b>			
Salaries, allowances and other benefits	18	1,078,696	873,260
Operating expenses	19	490,346	401,508
Depreciation and amortization		118,626	95,058
Amortization of premium on Pakistan Investment Bonds		3,370	11,491
Impairment loss on investment in associate		-	28,000
Bank charges		4,240	4,247
		<u>1,695,278</u>	<u>1,413,564</u>
<b>EXCESS OF INCOME OVER EXPENDITURE</b>			
Amortization of deferred grant		-	1,232
<b>SURPLUS OF INCOME OVER EXPENDITURE BEFORE TAX</b>			
		<u>373,007</u>	<u>494,023</u>
<b>TAXATION</b>			
	20	131,659	188,185
<b>SURPLUS OF INCOME OVER EXPENDITURE AFTER TAX FOR THE YEAR</b>			
		<u>241,348</u>	<u>305,838</u>
Reversal of provision for prior years' taxation		-	42,316
<b>SURPLUS OF INCOME OVER EXPENDITURE AFTER TAX</b>			
		<u>241,348</u>	<u>348,154</u>
<b>OTHER COMPREHENSIVE (DEFICIT) OF INCOME OVER EXPENDITURE - NET OF TAX</b>			
Actuarial losses on staff retirement funds	11.1.3	(36,565)	(25,395)
Tax credit related to actuarial losses on staff retirement funds		12,798	8,888
		<u>(23,767)</u>	<u>(16,507)</u>
<b>TOTAL COMPREHENSIVE SURPLUS OF INCOME OVER EXPENDITURE</b>			
		<u>217,581</u>	<u>331,647</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

CHAIRMAN

COMMISSIONER



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
Note	(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus of income over expenditure before tax	373,007	494,023
Adjustments for:		
- Depreciation and amortization	118,626	95,058
- Amortization of premium on Pakistan Investment Bonds	3,370	11,491
- Impairment loss on investment in associate	-	28,000
- Amortization of deferred grant	-	(1,232)
- Provision for pension	16,048	24,019
- Provision for gratuity	54,700	40,666
- Provision for compensated absences	31,398	15,496
- Interest income	(423,691)	(453,584)
- Gain on sale of property and equipment	(6,468)	(2,599)
	<u>(206,017)</u>	<u>(242,685)</u>
Operating income before working capital changes	166,990	251,338
Increase in advances, deposits, prepayments and other receivables	(15,338)	(19,399)
Increase in accrued and other liabilities	139,824	82,789
	<u>291,476</u>	<u>314,728</u>
Contribution to pension fund	(17,282)	(100,424)
Contribution to gratuity fund	(68,104)	(52,018)
Compensated absences encashed	(1,592)	(2,672)
Taxes paid	<u>(113,765)</u>	<u>(211,398)</u>
	<u>(200,743)</u>	<u>(366,512)</u>
Increase in loans and advances	(5,475)	(7,360)
Net cash generated/ (used in) from operating activities	<u>85,258</u>	<u>(59,144)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(289,487)	(123,512)
Proceeds from sale of property and equipment	16,347	7,766
Investments - net	(232,695)	(377,207)
Interest received on investments and bank deposits	346,864	691,598
Net cash (used in)/ generated from investing activities	<u>(158,971)</u>	<u>198,645</u>
Net (decrease)/ increase in cash and cash equivalents	<u>(73,713)</u>	<u>139,501</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	199,602	60,101
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u>10</u> <u>125,889</u>	<u>199,602</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

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CHAIRMAN

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COMMISSIONER



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
STATEMENT OF CHANGES IN FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

		SECP FUND				Total
		General reserve	Assets acquisition reserve	Reserve for loan to employees	Accumulated comprehensive (deficit)/ surplus of income over expenditure	
<b>Balance as at June 30, 2011</b>		800,000	2,600,000		(90,724)	3,309,276
Comprehensive income:						
Surplus of income over expenditure		-	-	-	348,154	348,154
Other comprehensive deficit of income over expenditure		-	-	-	(16,507)	(16,507)
<b>Balance as at June 30, 2012</b>		800,000	2,600,000	-	331,647	3,640,923
Comprehensive income:						
Surplus of income over expenditure		-	-	-	241,348	241,348
Other comprehensive deficit of income over expenditure		-	-	-	(23,767)	(23,767)
<b>Transferred to Federal Consolidated Fund - note 12</b>		800,000	2,600,000	-	458,504	3,858,504
<b>Transferred to reserve for loan to employees</b>		(800,000)	(1,225,067)	130,000	(328,504)	(2,353,571)
<b>Balance as at June 30, 2013</b>		-	1,374,933	130,000	(130,000)	1,504,933

Rupees in thousand

The annexed notes 1 to 26 form an integral part of these financial statements.

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CHAIRMAN

*[Signature]*  
COMMISSIONER



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**1. LEGAL STATUS AND OPERATIONS**

Securities and Exchange Commission of Pakistan (the Commission) was established as a body corporate under the Securities and Exchange Commission of Pakistan Act, 1997 (the Act) for the beneficial regulation of capital markets, superintendence and control of corporate entities and for matters connected therewith and incidental thereto. The Commission operates through eight Company Registration Offices across the country.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

These financial statements have been prepared under the historical cost convention in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). However, the Commission is not required to comply with the requirements of IFRSs.

Preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Commission's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.15.

Amendments to published standards and new standards:

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Commission:

		Effective date (annual reporting periods beginning on or after)
IFRS 7	Financial instruments: Disclosures (Amendments)	January 1, 2013
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2013
IAS 16	Property, plant and equipment (Amendments)	January 1, 2013
IAS 19	Employee benefits (Amendments)	January 1, 2013
IAS 27	Separate financial statements (Revised)	January 1, 2013
IAS 28	Investment in associates and joint ventures (Revised)	January 1, 2013
IAS 32	Financial instruments: Presentation (Amendments)	January 1, 2013 & 2014
IAS 34	Interim financial reporting (Amendments)	January 1, 2013
IAS 36	Impairment of assets (Amendments)	January 1, 2013
IAS 39	Financial instruments: Recognition and measurement (Amendments)	January 1, 2013

The Commission anticipates that, except for the effects on the financial statements of amendments to IAS 19 "Employee Benefits", the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Commission's financial statements. The amendments to IAS 19 require immediate recognition of actuarial gains/ losses in other comprehensive income in the period in which they arise. This change will remove the corridor method for recognition of actuarial gains/ losses and eliminate the ability for entities to recognize all changes in defined obligation and plan assets in statement of comprehensive income. Following this change, accumulated gain/ loss will be recognized immediately in other comprehensive income. Unrecognized actuarial losses as at June 30, 2013 were Rs. 73.131 million.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Commission for the purpose of their applicability in Pakistan:

		Effective date (annual reporting periods beginning on or after)
IFRS 1	First-time adoption of International Financial Reporting Standards	July 1, 2009
IFRS 9	Financial instruments	January 1, 2015
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 11	Joint arrangements	January 1, 2013
IFRS 12	Disclosure of interests in other entities	January 1, 2013
IFRS 13	Fair value measurement	January 1, 2013
IFRIC 21	Levies	January 1, 2014

The following interpretations issued by the IASB have been waived off by the Commission effective January 16, 2012:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except for leasehold land and capital work in progress which are stated at cost.

Depreciation is calculated on straight line method to write off the depreciable amount of each asset over its estimated useful life. Rates of depreciation are specified in note 4 to the financial statements. Depreciation on additions during the year is charged from the date of acquisition or the date the asset is available for use and on disposals up to the date of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major repairs and improvements are capitalized and the assets so replaced, if any, are derecognized. Gains and losses on disposal of property and equipment are included in the income currently.

#### 3.2 Intangibles

Intangible assets are stated at cost less accumulated amortization except for intangible assets under development which are stated at cost. Amortization on intangible assets is calculated on straight-line basis at rates specified in note 5 to the financial statements.

#### 3.3 Taxation

##### *Current*

Provision for current taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any.

##### *Deferred*

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantially enacted by the date of issue of financial statements.

#### 3.4 Receivables

These are stated at cost less allowance for any uncollectible receivables.

#### 3.5 Payables

These are carried at cost which is the fair value of the consideration to be paid in the future.

#### 3.6 Employee benefits

##### *Defined contribution plan*

The Commission maintains an approved defined contributory provident fund for its employees eligible for this benefit plan as per policies of the Commission. The Commission's contribution to defined contributory Provident Fund @10% of basic salary is charged to the statement of comprehensive income for the year.

##### *Defined benefit plans*

The Commission operates following defined benefit plans for its eligible employees:

##### (i) Pension Fund

The Commission maintains approved funded defined pension plan for its employees eligible for this benefit plan as per policies of the Commission. Annual contributions are made to the Fund on actuarial recommendations using "Projected Unit Credit Method". The most recent actuarial valuation was conducted on June 30, 2013.



#### (ii) **Gratuity Fund**

The Commission maintains approved funded defined gratuity plan for its employees eligible for this benefit plan as per policies of the Commission. Annual contributions are made to the Fund on actuarial recommendations using "Projected Unit Credit Method". The most recent actuarial valuation was conducted on June 30, 2013.

Actuarial gains/ losses arising on defined benefit plans are recognized at higher of one-third of the cumulative actuarial gains/ losses at end of the current reporting period or the amount determined under the 'corridor' approach in the Statement of Comprehensive Income as other comprehensive income.

#### **Compensated absences**

The Commission recognizes provision for compensated absences payable to employees at the time of retirement/ termination of service.

The provision for compensated absences is determined on the basis of actuarial recommendations using "Projected Unit Credit Method". The most recent actuarial valuation was conducted on June 30, 2013.

#### **3.7 Deferred grant**

Grants related to fixed assets are deferred and are recognized as income over the period necessary to match them with the carrying value of the related assets.

#### **3.8 Revenue recognition**

Fees and other recoveries are recognized on accrual basis.

All penalties/ fines recovered are not credited to income of the Commission. Rather, these are credited to and deposited in the Federal Consolidated Fund.

Income on investments and bank deposits is recognized on time proportion basis.

#### **3.9 Impairment**

The carrying amounts of the Commission's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss or reversal of impairment loss is recognized in the statement of comprehensive income.

#### **3.10 Investments**

##### **Held to maturity**

Investments with fixed or determinable payments and fixed maturity, that the Commission has positive intent and ability to hold to maturity are classified as held to maturity investments and are carried at amortized cost, less impairment losses. Premium paid on purchase of investments is amortized using effective interest method.

##### **Available for sale**

Available-for-sale investments are investments that are either designated in this category or not classified in any of the other categories. These are initially measured at their fair value plus directly attributable transaction cost and at subsequent reporting dates measured at fair values and gains or losses from changes in fair values other than impairment loss are recognized in other comprehensive income until disposal at which time these are recycled to the statement of comprehensive income. Impairment loss on investments is recognized in the statement of comprehensive income.

##### **Investment in associate**

These are accounted for using the equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Commission's share of the net assets of the associate. The statement of comprehensive income reflects the Commission's share of the results of the operations of the associate. Where there has been a change recognised in the other comprehensive income of the associate, the Commission recognizes its share of any change in its other comprehensive income.

The Commission determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Commission calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the same in the statement of comprehensive income.



### 3.11 Long term loans to employees

Long term loans are initially recognized at present value of loan amount disbursed. On initial recognition, the discount representing difference between loan disbursed and its present value is charged in the statement of comprehensive income. Subsequently, the unwinding of discount on present value of loans is recognized as income over the loan term using effective interest rate method.

### 3.12 Provisions

Provisions are recognized when the Commission has a present 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.

### 3.13 Financial instruments

Financial assets and financial liabilities are recognized when the Commission becomes party to contractual provisions of the instrument. These are initially measured at cost, which is the fair value of the consideration given or received. These financial assets and liabilities are subsequently measured at fair value and amortized cost as the case may be. The Commission derecognizes financial assets and liabilities when it ceases to be a party to such contractual provisions of the instruments.

### 3.14 Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents comprise cash in hand and bank balances.

### 3.15 Use of critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (a) Critical accounting estimates and assumptions

The Commission makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The material estimates and assumptions used to measure and classify the carrying amounts of assets and liabilities are outlined below:

- (i) Useful lives of property and equipment and intangibles (notes 4 and 5)
- (ii) Provision for current and deferred taxation (notes 13 and 20)
- (iii) Provision against staff retirement benefits (note 11.1)

#### (b) Critical judgments in applying the entity's accounting policies

There have been no critical judgments made by the Commission's management in applying the accounting policies that would have a significant effect on the amounts recognized in the financial statements.



#### 4. PROPERTY AND EQUIPMENT

Statement of property and equipment is as follows:

	Rupees in thousand										
	Leasehold land	Building	Leasehold improvement	Office equipment	Other equipment	Computers	Furniture and fixtures	Vehicles	Subtotal	Capital work-in-progress	Total
Cost	2,053	34,264	52,539	45,044	8,735	280,563	28,832	192,968	644,998	40,912	685,910
Accumulated depreciation	-	(18,433)	(36,407)	(36,341)	(6,031)	(230,929)	(22,083)	(104,608)	(454,832)	-	(454,832)
Net book value as at June 30, 2011	2,053	15,831	16,132	8,703	2,704	49,634	6,749	88,360	190,166	40,912	231,078
Additions	-	1,181	2,409	7,855	-	23,952	3,964	25,113	64,474	51,509	115,983
Transfers	-	-	18,152	2,743	-	-	8,303	15,707	44,905	(44,905)	-
Adjustments	-	-	-	-	-	-	-	-	-	(2,394)	(2,394)
Disposals	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	(746)	-	(35,002)	(35,748)	-	(35,748)
Depreciation	-	-	-	-	-	592	-	29,989	30,581	-	30,581
Net book value	-	-	-	-	-	(154)	-	(5,013)	(5,167)	-	(5,167)
Depreciation	-	(1,754)	(8,516)	(5,877)	(1,747)	(30,601)	(1,353)	(36,805)	(66,653)	-	(66,653)
Net book value as June 30, 2012	2,053	15,258	28,177	13,424	957	42,831	17,663	87,362	207,725	45,122	252,847
Cost	2,053	35,445	73,100	55,642	8,735	303,769	41,099	198,786	718,629	45,122	763,751
Accumulated depreciation	-	(20,187)	(44,923)	(42,216)	(7,778)	(260,938)	(23,436)	(111,424)	(510,904)	-	(510,904)
Net book value as at June 30, 2012	2,053	15,258	28,177	13,424	957	42,831	17,663	87,362	207,725	45,122	252,847
Additions	-	-	2,376	5,164	6,777	57,094	1,898	129,916	203,225	45,433	248,658
Transfers	-	3,503	310	4,294	-	46,823	-	-	54,930	(54,930)	-
Adjustments	-	-	-	-	-	-	-	-	-	(6,160)	(6,160)
Disposals	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	(2,337)	(3,500)	-	(28,719)	(6,830)	(58,815)	(100,201)	-	(100,201)
Depreciation	-	-	2,337	3,500	-	28,719	6,830	48,936	90,322	-	90,322
Net book value	-	-	-	-	-	-	-	(9,879)	(9,879)	-	(9,879)
Depreciation	-	(1,870)	(10,255)	(7,716)	(1,650)	(28,549)	(2,528)	(47,110)	(99,678)	-	(99,678)
Net book value as June 30, 2013	2,053	16,891	20,608	15,166	6,084	118,189	17,033	160,288	356,323	29,465	385,788
Cost	2,053	38,948	73,449	61,600	15,512	378,967	36,167	289,887	876,583	29,465	906,048
Accumulated depreciation	-	(22,057)	(52,841)	(46,434)	(9,428)	(260,768)	(19,134)	(109,598)	(520,260)	-	(520,260)
Net book value as at June 30, 2013	2,053	16,891	20,608	15,166	6,084	118,199	17,033	160,289	356,323	29,465	385,788
Depreciation rate (%) per annum	-	5%	20%	30%	20%	20% / 25%	10%	20%	20%	-	20%

4.1 Cost of property and equipment includes fully depreciated leasehold improvements, office equipment, other equipment, computers, furniture and fixtures and vehicles of Rs 24,477 thousand, Rs 34,587 thousand, Rs 7,830 thousand, Rs 213,652 thousand, Rs 12,256 thousand and Rs 12,758 thousand (2012 : Rs. 23,414 thousand, Rs Nil, Rs. 240,662 thousand, Rs. 17,116 thousand and Rs. 21,405 thousand) respectively that were still in use at the year end.

4.2 Capital work in progress includes the following:

	2013	2012
	(Rupees in thousand)	
Leasehold land	19,425	-
Leasehold improvements	10,040	732
Disaster recovery center	-	44,390
	29,465	45,122



	2013	2012
	(Rupees in thousand)	
Intangible assets in use	43,289	20,608
Intangible assets under development	5,360	-
	<u>48,649</u>	<u>20,608</u>
		<b>Computer Software</b>
		(Rupees in thousand)
Cost		48,526
Accumulated amortization		<u>(29,436)</u>
Net book value as at June 30, 2011		19,090
Additions		9,923
Amortization		<u>(8,405)</u>
Net book value as at June 30, 2012		<u>20,608</u>
Cost		58,449
Accumulated amortization		<u>(37,841)</u>
Net book value as at June 30, 2012		20,608
Additions		46,989
Amortization		<u>(18,948)</u>
Net book value as at June 30, 2013		<u>48,649</u>
Cost		105,438
Accumulated amortisation		<u>(56,789)</u>
Net book value as at June 30, 2013		<u>48,649</u>
Amortization rate (%) per annum		25%

**6. LONG TERM INVESTMENTS**

	2013	2012
	(Rupees in thousand)	
<b>Held to maturity</b>		
Regular Income Certificates	300,000	300,000
Transferred to short term investments	<u>(300,000)</u>	-
	-	300,000
<b>Investment in associate - Unquoted</b>		
Pakistan Institute of Capital Markets - note 6.1	<u>28,000</u>	<u>28,000</u>
Less: Impairment loss on investment	<u>(28,000)</u>	<u>(28,000)</u>
	-	-
	<u>-</u>	<u>300,000</u>

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## 6.1 Investment in Pakistan Institute of Capital Markets

The Pakistan Institute of Capital Markets (the Institute) has an authorised share capital of Rs. 50,000,000 representing 10,000 ordinary shares of Rs 5,000 each and issued, subscribed and paid up capital of Rs. 38,000,000 representing 7,600 ordinary shares of Rs 5,000 each. The Commission is one of the subscribers of the Institute having investment comprising 74% of the total share capital of the Institute. However, the Institute is an associate of the Commission since the Commission has no controlling power over the financial and operating policies of the Institute, as the Commission has only 1 nominated director as at June 30, 2013 (June 30, 2012: 3) out of a total of 12 directors.

Further, the Commission has undertaken to contribute an amount not exceeding Rs 50,000 to the assets of the Institute in the event of it being wound up.

### 6.1.1 Summary financial information of the Institute based on its latest available financial statements

	June 30, 2013	June 30, 2012
	(Rupees in thousand)	
Assets	23,183	17,099
Liabilities	13,331	147
Equity	9,852	16,951
Revenue	10,270	2,578
Loss after tax	(7,099)	(6,392)

The information presented above in respect of the financial information of the Institute for the current period is unaudited.

## 7. LOANS AND ADVANCES

	2013	2012
	(Rupees in thousand)	
Loans and advances - considered good	118,596	86,883
Less: current portion of loans and advances	<u>(51,291)</u>	<u>(32,762)</u>
	67,305	54,121
Less: provision for imputed interest on loans and advances	<u>(28,289)</u>	<u>(20,580)</u>
	<u>39,016</u>	<u>33,541</u>

These represent interest free loans to employees for various purposes as per their employment terms, secured against employees' retirement benefits. Principal amount of loan is recoverable in periods upto January 2021 in monthly installments.

## 8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2013	2012
	(Rupees in thousand)	
Current portion of loans and advances - considered good	51,291	32,762
Short term loans to employees - secured, considered good - note 8.1	5,987	10,046
Advances	31,021	54,197
Deposits	3,110	16,621
Prepayments	38,053	7,379
Advance tax - net	40,857	26,701
Fee receivable - considered good	8,654	8,618
Mark up receivable	253,373	176,546
Other receivables - considered good	<u>10,723</u>	<u>3,878</u>
	<u>443,069</u>	<u>336,748</u>

- 8.1 These represent interest-free house rent advance and miscellaneous loans given to employees recoverable/adjustable on monthly basis. The amount is secured against the employees' share of post employment benefits. The balance receivable has been discounted and shown at net present value net of imputed interest Rs 163 thousand (2012: Rs 771 thousand).



	2013	2012
	(Rupees in thousand)	
<b>9. SHORT TERM INVESTMENTS</b>		
<b>Held to maturity</b>		
Special Savings Account - National Savings Scheme	-	522,383
Term Deposit Receipts (TDRs)	-	450,000
Government Treasury Bills (T-Bills)	-	1,408,521
Special Notice Deposit Receipts (SNDR)	-	500,000
Pakistan Investment Bonds	-	188,370
	<u>-</u>	<u>3,069,274</u>
<b>Available for sale</b>		
Special Savings Account - National Savings Scheme - note 9.2	400,145	-
Government Treasury Bills (T-Bills) - note 9.3	2,348,454	-
Special Notice Deposit Receipts (SNDR) - note 9.4	500,000	-
Pakistan Investment Bonds - note 9.5	50,000	-
Regular Income Certificates - note 9.6	300,000	-
	<u>3,598,599</u>	<u>3,069,274</u>

- 9.1** As per amendment made in the SECP Act through Finance Act 2012, the Commission is required to transfer the surplus fund to the Federal Consolidated Fund. To comply with this requirement, the Commission divested its investment in T-Bills subsequent to year end before their maturity date. Provisions of IAS 39 (paragraph 51 and 52) require that when held to maturity investments are encashed before their maturity date, the entire portfolio of investments in held to maturity shall be reclassified as available for sale. Accordingly, the entire portfolio of held to maturity investments has been reclassified in available for sale category as at June 30, 2013.
- 9.2** This represents investment in special savings account under National Savings Scheme. This carries mark up at the rate of 13.2% (2012: 11.6% to 13.2%) per annum. Mark-up is receivable after every 6 months and in case mark-up is not withdrawn, it automatically stands reinvested and the corresponding markup rate applied on principal for future periods is enhanced to reflect this reinvestment.
- 9.3** This represents investment in Treasury Bills ranging from three months to one year. The rate of mark-up ranges from 8.91% to 11.95% (2012: 11.62% to 11.95%) per annum. These investments were encashed subsequent to the year end before maturity.
- 9.4** This represents investment in seven days "Special Notice Deposit Receipts (SNDR)" of National Bank of Pakistan at the rate of 11.20 % per annum (2012: 11.20%).
- 9.5** This represents investment in ten year Pakistan Investment Bonds (PIBs) having face value of Rs. 50 million. Profit is receivable semi-annually at the rate of 9% per annum (2012: 9% to 12% per annum). This investment matured on June 30, 2013 but was encashed on July 1, 2013.
- 9.6** This represents investment in Regular Income Certificates (RICs) under National Savings Scheme. These carry mark up at the rate of 13.6% per annum which is receivable on monthly basis. These investments are due to mature by June 12, 2014.

	2013	2012
	(Rupees in thousand)	
<b>10. CASH AND BANK BALANCES</b>		
Cash in hand	360	340
Cash at bank - interest bearing accounts - note 10.1	125,529	199,262
	<u>125,889</u>	<u>199,602</u>

- 10.1** This represents cash maintained in MCB's interest bearing bank accounts carrying mark-up rates ranging from 6% to 8.25% (2012: 5% to 8.25%) per annum.



	2013	2012
	(Rupees in thousand)	
<b>11. ACCRUED AND OTHER LIABILITIES</b>		
Accrued expenses	215,089	101,549
Bonus payable	130,620	117,916
Accounts payable	1,749	967
Withholding tax payable	872	2,602
Payable to staff retirement funds - note 11.1	20,334	(1,592)
Unearned income - note 11.2	93,962	129,145
Levies payable	205,162	159,400
Other liabilities	18,920	14,971
	<u>686,708</u>	<u>524,958</u>

<b>11.1 Payable to staff retirement funds</b>		
Pension fund	10,084	(5,683)
Gratuity fund	10,250	4,091
	<u>20,334</u>	<u>(1,592)</u>

**11.1.1 The amount recognized in the statement of financial position is as follows:**

	Pension fund		Gratuity fund	
	2013	2012	2013	2012
	----- Rupees in thousand -----			
Present value of defined benefit obligation - note 11.1.5	397,580	343,411	424,298	321,685
Fair value of plan assets - note 11.1.6	<u>(353,492)</u>	<u>(328,363)</u>	<u>(374,921)</u>	<u>(287,534)</u>
	44,088	15,048	49,377	34,151
Unrecognized actuarial losses - net	<u>(34,004)</u>	<u>(20,731)</u>	<u>(39,127)</u>	<u>(30,060)</u>
Net liability recognized in the balance sheet	<u>10,084</u>	<u>(5,683)</u>	<u>10,250</u>	<u>4,091</u>

**11.1.2 The amount charged to comprehensive surplus of income over expenditure is as follows:**

Current service cost	14,167	13,357	50,431	40,378
Interest cost	41,242	40,816	39,297	34,055
Expected return on plan assets	(39,361)	(34,334)	(35,028)	(33,767)
Past service cost	-	4,180	-	-
	<u>16,048</u>	<u>24,019</u>	<u>54,700</u>	<u>40,666</u>

**11.1.3 The amount charged to other comprehensive surplus of income over expenditure is as follows:**

Actuarial losses recognized	<u>17,002</u>	<u>10,365</u>	<u>19,563</u>	<u>15,030</u>
Cumulative losses recognized in other comprehensive income	<u>154,342</u>	<u>137,340</u>	<u>104,526</u>	<u>84,963</u>

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	Pension fund		Gratuity fund	
	2013	2012	2013	2012
	-----Rupees in thousand-----			
<b>11.1.4 Return on plan assets</b>				
Expected return on plan assets	39,361	34,334	35,028	33,767
Actual return on plan assets	34,702	40,636	33,907	31,267

The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Fund, at the beginning of the year.

**11.1.5 Changes in present value of defined benefit obligation**

Opening balance	343,411	302,152	321,685	254,186
Current service cost	14,167	13,357	50,431	40,378
Interest cost	41,242	40,816	39,297	34,055
Benefits paid	(26,948)	(21,215)	(14,624)	(21,871)
Amount received from Government of Pakistan	92	2,877	-	-
Actuarial losses	25,616	5,424	27,509	14,937
Closing balance	397,580	343,411	424,298	321,685

**11.1.6 Changes in fair value of plan assets**

Opening balance	328,363	205,641	287,534	226,120
Expected return on plan assets	39,361	34,334	35,028	33,767
Contributions	17,282	100,424	68,104	52,018
Benefits paid	(26,948)	(21,215)	(14,624)	(21,871)
Amount received from Government of Pakistan	93	2,877	-	-
Actuarial (losses)/ gains	(4,659)	6,302	(1,121)	(2,500)
Closing balance	353,492	328,363	374,921	287,534

The Commission expects to contribute Rs. 69,507 thousand (2012: Rs 22,959 thousand) and Rs. 64,486 thousand (2012: Rs. 64,720 thousand) to its defined benefit pension and gratuity plans respectively during the next financial year.

**11.1.7 Break-up of category of assets**

	Pension fund		Gratuity fund	
	2013	2012	2013	2012
	-----Rupees in thousand-----			
Pakistan Investment Bonds	30,039	28,823	7,570	7,261
Special Savings Certificates	302,833	200,112	295,486	121,280
Treasury Bills	5,478	60,000	-	112,723
Profit receivable	3,959	-	5,976	-
Bank accounts	11,182	39,428	65,889	46,270
Fair value of plan assets	353,491	328,363	374,921	287,534

**11.1.8 Principal actuarial assumptions**

Actuarial valuation is carried out annually. Latest actuarial valuation was carried out as at June 30, 2013 using Projected Unit Credit Method. Significant actuarial assumptions used are as follows:

	Pension fund		Gratuity fund	
	2013	2012	2013	2012
Valuation discount rate - per annum	11.5%	12.5%	11.5%	12.5%
Salary increase rate - per annum	11.5%	12.5%	11.5%	12.5%
Expected return on plan assets - per annum	11.5%	12.5%	11.5%	12.5%


**11.1.9 Disclosure for current and previous four annual periods for pension and gratuity plans**

	2013	2012	2011	2010	2009
	----- Rupees in thousand -----				
Present value of the defined benefit obligations	821,878	665,096	556,338	505,282	324,207
Fair value of plan assets	(728,412)	(615,897)	(431,761)	(216,368)	(144,707)
Deficit in the plans	<u>93,466</u>	<u>49,199</u>	<u>124,577</u>	<u>288,914</u>	<u>179,500</u>
Experience adjustments on plan liabilities	<u>53,125</u>	<u>20,361</u>	<u>(12,346)</u>	<u>11,538</u>	<u>17,272</u>
Experience adjustments on plan assets	<u>(5,780)</u>	<u>3,802</u>	<u>14,347</u>	<u>(9,257)</u>	<u>(284)</u>

**11.2 Unearned income**

This represents amount received in advance from companies for various transactions under the Companies Ordinance, 1984 and NBFC and Notified Entities Regulations, 2008.

	2013	2012
	Rupees in thousand	
<b>12. PAYABLE TO FEDERAL CONSOLIDATED FUND (the Fund)</b>		
Payable at beginning of the year	-	-
Penalties collected during the year - note 12.1	20,010	-
Penalties deposited to the Fund during the year	(20,010)	-
Reserves transferred to the Fund - note 12.2	<u>2,353,571</u>	-
	<u>2,353,571</u>	-
<b>12.1 Penalties collected during the year</b>		
Under the Companies Ordinance, 1984	10,447	-
Under the Insurance Ordinance, 2000	800	-
On transactions executed at stock exchanges and other fees	7,693	-
Non Banking Finance Companies	<u>1,070</u>	-
	<u>20,010</u>	-

In terms of an amendment to the SECP Act 1997 through Finance Act 2012, effective July 1, 2012, all penalties/ fines recovered are not credited to income of the Commission, rather, they are credited to and deposited in the Federal Consolidated Fund.

**12.2** As per amendment in the SECP Act 1997 through Finance Act 2012, "any surplus of receipts over the actual expenditure in a year, after payment of tax, shall be remitted to the Federal Consolidated Fund. Any deficit from the actual expenditure shall be borne by the Federal Government." Finance Division of the Government of Pakistan asked the Commission to transfer accumulated surplus as at June 30, 2012 in addition to the surplus for the year. Based on such request, the Commission, subsequent to the year end, transferred Rs 2,368.560 million to the Fund on the basis of unaudited estimate of year end results. The amount payable to the Fund as at June 30, 2013 based on audited results is detailed below:

	Rupees in thousand
Asset acquisition reserve	2,600,000
Amounts retained	
Book value of assets as at June 30, 2013	(434,437)
Capital commitments as at June 30, 2013	(54,496)
Budgeted capital expenditure approved by the Policy Board for 2013-14	(886,000)
	<u>(1,374,933)</u>
	1,225,067
General reserve transferred to the Fund	800,000
Accumulated surplus	458,504
Less: transfer to reserve for loan to employees	(130,000)
Net surplus transferred to the Fund	<u>328,504</u>
Payable to the Fund	<u>2,353,571</u>



13. DEFERRED TAXATION	2013	2012
	(Rupees in thousand)	
The net balance of deferred taxation is in respect of the following temporary differences:		
- Accelerated depreciation and amortization	(1,132)	21,892
- Profit on short term investments accrued but not due	(24,490)	(26,340)
- Discount on long term loan	9,674	7,473
- Impairment loss on investment in associate	9,520	9,800
	<u>(6,428)</u>	<u>12,825</u>

#### 14. DEFERRED LIABILITY

This represents the Commission's liability towards employees' compensated absences which is payable at the time of separation of eligible employees.

	2013	2012
	(Rupees in thousand)	
Obligation at beginning of the year	59,564	46,740
Expense for the year	31,398	15,496
Encashed during the year	(1,592)	(2,672)
Obligation at end of the year	<u>89,370</u>	<u>59,564</u>

#### *Principal actuarial assumptions*

Latest actuarial valuation was carried out as at June 30, 2013 using Projected Unit Credit Method. Significant actuarial assumptions used are as follows:

	2013	2012
Valuation discount rate - per annum	11.5%	12.5%
Salary increase rate - per annum	11.5%	12.5%

#### 15. CONTINGENCIES AND COMMITMENTS

##### 15.1 Contingencies

(i) Certain companies/ individuals filed suits against the Commission in respect of following claims for damages.

	2013	2012
	(Rupees in thousand)	
Investec Securities	2,000,000	2,000,000
Abdul Karim K. Kara	1,111,000	1,111,000
Eridania (Suisse) SA	565,519	-
Al Mal Securities	206,000	206,000
Nasimuddin Khan	150,000	-
Irfan Ahmad Sheikh	100,000	100,000
Irfan Iqbal Puri	100,000	100,000
Muhammad Siraj	70,000	-
Other parties	42,950	41,300

Based on legal advise, the Commission is confident of a favourable outcome of these cases and that there will be no financial impact of these cases.

(ii) The Commission has been made party in various other legal cases. Based on legal advise, the Commission believes that the outcome of these cases would not result in any financial exposure to the Commission.



## 15.2 COMMITMENTS

Aggregate commitments for contracted capital expenditure at end of the year amounted to Rs. 424.496 million. (2012: Rs. 147.502 million).

	2013	2012
	(Rupees in thousand)	
<b>16. FEES AND OTHER RECOVERIES</b>		
Fees:		
Under the Companies Ordinance, 1984	999,143	929,918
Under the Modaraba Ordinance, 1980	6,308	8,226
Under the Insurance Ordinance, 2000	204,808	181,316
On transactions executed at stock exchanges and other fees	81,934	66,283
Brokers' registration	10,130	8,658
Non Banking Finance Companies	333,426	255,722
	<u>1,635,749</u>	<u>1,450,123</u>
<b>17. OTHER INCOME</b>		
Income on bank deposits	30,858	13,196
Income on investments	392,833	440,388
Gain on sale of property and equipment	6,468	2,599
Miscellaneous income	2,377	49
	<u>432,536</u>	<u>456,232</u>
<b>18. SALARIES, ALLOWANCES AND OTHER BENEFITS</b>		
Salaries	391,931	319,902
House rent allowance	231,581	191,269
Medical allowance	52,606	41,914
Conveyance allowance	13,076	11,130
Utilities	38,579	31,854
Other allowance	214,806	171,769
Provision for pension	16,048	24,019
Provident fund contribution	33,971	25,241
Provision for gratuity	54,700	40,666
Provision for compensated absences	31,398	15,496
	<u>1,078,696</u>	<u>873,260</u>
<b>19. OPERATING EXPENSES</b>		
Repair and maintenance	83,274	54,810
Travelling and conveyance	67,357	58,909
Telephone, postage and courier	25,834	28,339
Utilities	38,199	15,918
Rent and rates	117,573	87,819
Printing and stationery	15,949	14,240
Legal and professional charges	29,910	27,852
Fees and subscription	5,359	4,652
Human resource development	20,004	19,812
Seminars and conference	8,153	5,126
Insurance	9,444	8,055
Advertisement	1,942	12,325
Entertainment	842	1,086
Audit fee - note 19.1	313	280
Provision for imputed interest on long term loans to employees	7,101	6,732
Levies and charges	45,762	42,865
Others	13,330	12,688
	<u>490,346</u>	<u>401,508</u>
<b>19.1 AUDIT FEE</b>		
Statutory audit fee	285	255
Out of pocket expenses	28	25
	<u>313</u>	<u>280</u>

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	2013	2012
	(Rupees in thousand)	
<b>20. TAXATION</b>		
Current tax		
- current year	112,555	191,071
- prior years	(149)	18,207
	<u>112,406</u>	<u>209,278</u>
Deferred tax		
- current year	17,482	(18,594)
- prior years	1,771	(2,499)
	<u>19,253</u>	<u>(21,093)</u>
	<u>131,659</u>	<u>188,185</u>

20.1 The relationship between the tax expense and surplus of income over expenditure is as follows:

	2013	2012
	(Rupees in thousand)	
Surplus of income over expenditure	373,007	492,791
Tax at applicable tax rate of 35 percent (2012: 35 percent)	130,552	172,477
Effect of prior years charge	1,622	15,708
Others including effect of change in tax rate applicable to deferred tax	(515)	-
Tax expense for the year	<u>131,659</u>	<u>188,185</u>

## 21. TAX STATUS

The Commission has filed the tax return for the tax year 2003 to 2007 in pursuance of the order of the honourable Federal High Court, by claiming exemption on total income in terms of section 49 of the Income Tax Ordinance, 2001 (the Ordinance). However the Additional Commissioner, Audit Division (ACIT) amended the assessments of the Commission under section 122 (5A) of the Ordinance by rejecting the claim of exemption and thereby creating tax demand aggregating to Rs. 892.601 million. On appeals filed by the Commission, the Appellate Tribunal Inland Revenue (ATIR) had upheld the annulment of order of ACIT for tax year 2003 and maintained the order for the tax years 2004 to 2007. The Commission has filed the reference applications before the Honourable Islamabad High Court (IHC) which are pending adjudication to date. However the Commission has made payment of total outstanding demand under protest.

The Officer Inland Revenue (OIR) charged default surcharge aggregating to Rs. 111.900 million for delay in payment of the tax demands for the tax years 2004 to 2007. On appeals filed by the Commission, the Commissioner Inland Revenue CIR(A) has upheld the charge of additional tax and directed the OIR to recompute the amount of default surcharge after taking cognizance of the tax refunds available with the Commission for the tax years 2008 and 2009. During the reassessment proceedings, the OIR followed the same procedure to work out the default surcharge which action was rejected by the CIR(A) with the directions to follow the instructions earlier given by the CIR(A) on appeal filed by the Commission. The Commission has contested the order of CIR(A) to uphold the charge of default surcharge before the ATIR. The ATIR also upheld the order of the CIR(A) for charge of default surcharge, however the ATIR ordered for deletion of the default surcharge for the period for which the stay granted by the Honourable Islamabad High Court through order dated February 19, 2009 was in force. The appeal effect order of the tax authority is still awaited.

The Commission has filed the return for the tax years 2008 to 2012, which stood assessed in terms of Section 120 of the Ordinance. The Commissioner Inland Revenue (CIR) selected the Commission for audit relating to the tax year 2010. However, the Commission has challenged its selection for audit by CIR in the Honourable Islamabad High Court. The writ petition of the Commission was rejected by the Honourable Islamabad High Court. Against this rejection, the Commission has filed an Intra Court appeal to the Division Bench of the Honourable Islamabad High Court, which is subjudice till to-date.



## 22. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 22.1 Interest rate risk exposure

The Commission's exposure to interest rate risk on its financial assets and liabilities is summarized as follows:

	Interest bearing		Non interest bearing	Total
	Maturing within one year	Due after one year up to two years		
----- Rupees in thousand -----				
<b>June 30, 2013</b>				
<b>Financial assets</b>				
Long term investments	-	-	-	-
Loans and advances	-	-	39,016	39,016
Advances and other receivables	-	-	333,138	333,138
Short term investments	3,598,599	-	-	3,598,599
Cash and bank balances	125,529	-	360	125,889
	3,724,128	-	372,514	4,096,642
<b>Financial liabilities</b>				
Accrued and other liabilities	-	-	592,746	592,746
Deferred Liability	-	-	89,370	89,370
Payable to Federal Consolidated Fund	-	-	2,353,571	2,353,571
	-	-	3,035,687	3,035,687
Excess /(shortfall) of financial assets over financial liabilities	3,724,128	-	(2,663,173)	1,060,955
<b>June 30, 2012</b>				
<b>Financial assets</b>				
Long term investments	300,000	-	-	300,000
Long term loans to employees	-	-	33,541	33,541
Advances and other receivables	-	-	248,471	248,471
Short term investments	3,069,274	-	-	3,069,274
Cash and bank balances	199,262	-	340	199,602
	3,568,536	-	282,352	3,850,888
<b>Financial liabilities</b>				
Accrued and other liabilities	-	-	395,813	395,813
	-	-	395,813	395,813
Excess /(shortfall) of financial assets over financial liabilities	3,568,536	-	(113,461)	3,455,075



## **22.2 Credit risk**

The Commission believes that it is not exposed to major concentration of credit risk.

## **22.3 Foreign exchange risk management**

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Commission believes that it is not materially exposed to foreign exchange risk.

## **22.4 Fair value of financial assets**

The carrying amount of all financial instruments reflected in the financial statements approximate their fair value.

## **23. FUND MANAGEMENT**

Policy Board monitors the Commission's performance along with funds required for sustainable operations of the Commission. There were no changes to the Commission's approach to the fund management during the year.

## **24. RELATED PARTY TRANSACTIONS**

The Commission deals with several state-controlled entities, directly or indirectly controlled by the Government of Pakistan through its Government authorities, agencies, affiliates and other organizations. Transactions with these state-controlled entities are not very significant.

In addition to above, Pakistan Institute of Capital Markets, Pakistan Institute of Corporate Governance, key management personnel and employee benefit plans are related parties of the Commission.

Transactions with key management personnel have been carried out in normal course of business in accordance with their employment terms.



Transactions with related parties during the year and balances outstanding at the year end are as follows:

	2013	2012
	(Rupees in thousand)	
<b>Transactions during the year</b>		
Contributions made to employees benefit plans	85,386	152,442
Investment in shares of the Pakistan Institute of Capital Markets	-	18,000
Contribution to Pakistan Institute of Corporate Governance	100	100
<b>Balances outstanding at the year end</b>		
Investments in the Pakistan Institute of Capital Markets - at cost	28,000	28,000
Due (to)/ from employees benefit plans	(20,334)	1,592
Payable to Federal Consolidated Fund	(2,353,571)	-

## 25. GENERAL

The figures have been rounded to the nearest thousand Rupees.

## 26. AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Commission on September 16, 2013

CHAIRMAN

COMMISSIONER



## How to contact us

### How to lodge complaints

In order to raise awareness among stakeholders about the availability of vigilance mechanism and how they can make the best use of the facility, the SECP has placed the instructions on filing of complaints on its website. The information and forms have also been made available at the CROs and the stock exchanges. Investors, entities and the public can forward complaints online through the links available at the SECP's website.

<http://www.secp.gov.pk/ComplaintForm1.asp>

There is a reporting mechanism in place whereby a track is kept of the status of complaints and queries received.

### How to ask other questions

Investors, entities and general public can forward any queries or complaints on the following e-mail addresses:

General Information: [enquiries@secp.gov.pk](mailto:enquiries@secp.gov.pk)

Complaints: [complaints@secp.gov.pk](mailto:complaints@secp.gov.pk)

<b>Head Office:</b> NIC Building, 63 Jinnah Avenue, Islamabad Tel: 051-9207091-4 Fax: 051-9204915	
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## Abbreviations and acronyms

<b>ACII:</b> Associate from the Chartered Insurance Institute	<b>EMD:</b> Enforcement and Monitoring Department
<b>ADB:</b> Asian Development Bank	<b>FATF:</b> Financial Action Task Force
<b>AGM:</b> Annual General Meeting	<b>FBR:</b> Federal Board of Revenue
<b>AMCs/IAs:</b> Asset Management Company/Investment Advisors	<b>EOGM:</b> Extraordinary General Meetings
<b>AMLO:</b> Anti-Money Laundering Ordinance	<b>FIU:</b> Fraud Investigation Unit
<b>APG:</b> Asia Pacific Group on Money Laundering	<b>FMC:</b> Fund Management Company
<b>APREA:</b> Asian Public Real Estate Association	<b>FMU:</b> Financial Monitoring Unit
<b>ASOs:</b> Authorized Surveying Officers	<b>FMGP:</b> Financial (non-bank) Markets and Governance Programme
<b>BDS:</b> Board Development Series	<b>FRU:</b> Foreign Relations Unit
<b>BOD:</b> Board of Directors	<b>GDRs:</b> Global Depository Receipts
<b>BPM:</b> Business Process Management	<b>HRIS:</b> Human Resources Information System
<b>CCG:</b> Code of Corporate Governance	<b>HBFC:</b> House Building Finance Corporation
<b>CDC:</b> Central Depository Company	<b>HOD:</b> Head of Department
<b>CDD:</b> Customer Due Diligence	<b>IAIS:</b> International Association of Insurance Supervisors
<b>CDS:</b> Central Depository System	<b>IAP:</b> Insurance Association of Pakistan
<b>CEES:</b> Companies Easy Exit Scheme	<b>IAIR:</b> The International Association of Insolvency Regulators
<b>CEW:</b> Commodity Exchange Wing	<b>IASB:</b> International Accounting Standards Board
<b>CFT:</b> Combating Financial Terrorism	<b>IAS:</b> International Accounting Standard
<b>CFS:</b> Continuous Funding System	<b>IBA:</b> Institute of Business Administration
<b>CGT:</b> Capital Gains Tax	<b>ICAP:</b> Institute of Chartered Accountants of Pakistan
<b>CIS:</b> Collective Investment Scheme	<b>ICMAP:</b> Institute of Cost and Management Accountants of Pakistan
<b>CIW:</b> Capital Issues Wing	<b>ICM:</b> Institute of Capital Market's
<b>CLA:</b> Corporate Law Authority	<b>ICSP:</b> Institute of Corporate Secretaries of Pakistan
<b>CLD:</b> Company Law Division	<b>ICW:</b> Investor's Complaints Wing
<b>CLRC:</b> Company Law Review Commission	<b>ICT:</b> Islamabad Capital Territory
<b>CMA:</b> Cost and Management Accountant	<b>IDF:</b> Institutional Development Fund
<b>COD:</b> Certificate of Deposit COI: Certificate of Investment	<b>IFC:</b> International Finance Corporation
<b>CNIC:</b> Computerized National Identity Card	<b>IFIs:</b> Islamic Financial Institutions
<b>COT:</b> Carry-over Trading	<b>IFSCs:</b> Islamic Financial Services (Non-Banking) Companies
<b>CRCS:</b> Corporate Registration and Compliance System	<b>IFRS:</b> International Financial Reporting Standards
<b>CRF:</b> Corporate Registers Forum	<b>IFRIC:</b> International Financial Reporting Interpretations Committee
<b>CRO:</b> Company Registration Office	<b>IFSB:</b> Islamic Financial Services Board
<b>CRS:</b> Companies Regularization Scheme	<b>IFRS-4:</b> International Financial Reporting Standard-4
<b>DOW:</b> Directors Orientation Workshop	<b>IIRS:</b> Insurance Industry Regulatory System
<b>DFI:</b> Development Finance Institution	<b>IOPS:</b> International Organization of Pension Supervisors
<b>ECAP:</b> Exchange Companies Association of Pakistan	
<b>ECO:</b> Economic Corporation Organization	
<b>EGD:</b> Electronic Government Directorate	
<b>EMC:</b> Emerging Market Committee	
<b>EMC-WG3:</b> Working Group-3 of Emerging Markets Committee	



<b>IOSCO:</b> International Organization of Securities Commissions	<b>OPAC:</b> Online Public Access Catalogue
<b>IPO:</b> Initial Public Offering	<b>OTC:</b> Over-the-counter
<b>IS&amp;T:</b> Information Systems and Technology	<b>PACRA:</b> Pakistan Credit Rating Agency Limited
<b>IRC:</b> Information Resource Centre	<b>PBA:</b> Pakistan Banks Associations
<b>ISMS:</b> Information Security Management System	<b>PE&amp;VCF:</b> Private Equity and Venture Capital Fund
<b>ISE:</b> Islamabad Stock Exchange	<b>PICG:</b> Pakistan Institute of Corporate Governance
<b>ISO:</b> International Organization of Standardization	<b>PME:</b> Pakistan Mercantile Exchange
<b>IVSC:</b> International Valuation Standards Council	<b>PRCL:</b> Pakistan Reinsurance Company Limited
<b>KSE:</b> Karachi Stock Exchange	<b>PSOA:</b> Pakistan Society of Actuaries
<b>KYC:</b> Know Your Customer	<b>PSEB:</b> Pakistan Software Export Board
<b>LAP:</b> Leasing Association of Pakistan	<b>PSPD:</b> Professional Services and Policy Division
<b>LSE:</b> Lahore Stock Exchange	<b>QCR:</b> Quality Control Review
<b>LoU:</b> Letter of Understanding	<b>QIBs:</b> Qualified Institutional Buyers
<b>MIS:</b> Management Information System	<b>RBS:</b> Risk Based Supervision
<b>MAP:</b> Modaraba Association of Pakistan	<b>REIT:</b> Real Estate Investment Trust
<b>MLM:</b> Multi Level Marketing	<b>RMC:</b> REIT Management Company
<b>M&amp;I:</b> Monitoring and Inspection	<b>RTS:</b> Resume Tracking System
<b>MMoU:</b> Multilateral Memorandum of Understanding	<b>SAOF:</b> Sub-Account Opening Form
<b>MMC:</b> Modaraba Management Company	<b>SAFA:</b> South Asian Federation of Accountants
<b>MoU:</b> Memorandum of Understanding	<b>SCRS:</b> Specialized Companies Return Submission System
<b>N&amp;ICAU:</b> National and International Cooperation Affairs Unit	<b>SCRA:</b> Specialized Companies Return Analysis
<b>MUFAP:</b> Mutual Fund Association of Pakistan	<b>SLIC:</b> State Life Insurance Corporation
<b>NBF:</b> Non-Bank Financial	<b>SMC:</b> Single Member Company
<b>NAV:</b> Net Asset Value	<b>SME:</b> Small and Medium Enterprise
<b>NBFCD:</b> Non-banking Finance Companies Department	<b>SMEDA:</b> Small and Medium Enterprises Development Authority
<b>NBFC:</b> Non-banking Finance Company	<b>SOE:</b> State Owned Enterprise
<b>NBFI:</b> Non-bank Financial Institution	<b>SRO:</b> Self-Regulatory Organization
<b>NBFC Rules:</b> Non-banking Finance Companies (Establishment and Regulation) Rules, 2003	<b>SPVs:</b> Special Purpose Vehicle
<b>NCCPL:</b> National Clearing Company of Pakistan Limited	<b>STR:</b> Suspicious Transaction Report
<b>NICOP:</b> National Identity Card for Overseas Pakistanis	<b>TA:</b> Technical Assistance
<b>NEC:</b> National Executive Committee	<b>TABS:</b> TA for Banking Sector Reforms
<b>NOC:</b> No Objection Certificate	<b>TA:</b> Technical Assistance
<b>NIT:</b> National Investment Trust	<b>TFC:</b> Term Finance Certificate
<b>NTCs:</b> New Terms and Conditions (of employment)	<b>UIN:</b> Unique Identification Number
<b>OSS:</b> Occupational Savings Schemes	<b>VPS:</b> Voluntary Pension System



## Declaration of investment as of June 30, 2013

Submitted to the secretary to the Commission by Mr. Imtiaz Haider, Commissioner, SECP, in pursuance of sub-section 6 of section 16 of the 1997 Securities and Exchange Commission of Pakistan Act.

Sr. No.	Name of company	Nature of interest	Number of share/units
1	Byco Petroleum Pakistan Limited	Shares	1000
2	National Bank of Pakistan	Shares	2371
3	Nestol Technologies Limited	Shares	2400
4	NIB Bank Limited	Shares	7000
5	AKD REIT Management Company Limited	Qualifying shares	500
6	NIT (In the name of dependent family members)	Units	212.9539
7	NIT (In the name of dependent family members)	Units	212.9539





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