

*AM CHUDARY SECURITIES (private) LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 30 JUNE 2016*

#### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **AM CHAUDHRY SECURITIES (PRIVATE) LIMITED** ('the Company') as at 30 June 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with the 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 30 June 2016 and of the loss, its comprehensive income, cash flows and changes in equity for the year then ended;
- (d) in our opinion, no Zakat was deductible at source under Zakat & Ushr Ordinance, 1980; and
- (e) The financial statements for the year ended 30 June 2015 were audited by another firm of auditors, whose report dated 29 August 2015 expressed an unqualified opinion on those financial statements.

Lahore  
Dated: 04 October 2016

  
Tariq Abdul Ghani Maqbool & Co.  
Chartered Accountants  
Shahid Mehmood

**AM CHAUDHRY SECURITIES (PRIVATE) LIMITED**  
**BALANCE SHEET**  
**AS AT 30 JUNE 2016**

	Note	2016 Rupees	2015 Rupees
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	4	256,498	304,430
Intangible assets	5	4,050,000	4,461,200
Long term investments	6	4,439,750	4,439,750
Long term deposit	7	780,000	780,000
		9,526,248	9,985,380
<b>Current Assets</b>			
Trade receivables	8	483,163	4,869,560
Trade deposits and other receivables	9	7,213,230	152,081
Advance tax		21,311	23,625
Cash and bank balances	10	2,779,330	4,349,125
		10,497,034	9,394,391
		<u>20,023,282</u>	<u>19,379,771</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorized share capital 700,000 ( 2015: 700,000) ordinary shares of Rs. 100 each		<u>70,000,000</u>	<u>70,000,000</u>
Issued, subscribed and paid up capital	11	10,000,000	10,000,000
Reserves		7,055,838	8,281,731
		17,055,838	18,281,731
<b>Non-Current Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	2,934,188	1,091,100
Provision for taxation	13	33,256	6,940
		2,967,444	1,098,040
Contingencies and commitments	14	-	-
		<u>20,023,282</u>	<u>19,379,771</u>

The annexed notes from 01 to 26 form an integral part of these financial statements.

TRGM

  
**CHIEF EXECUTIVE**



  
**DIRECTOR**

**AM CHAUDHRY SECURITIES (PRIVATE) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 Rupees	2015 Rupees
Revenue	15	556,304	693,974
Operating expenses:			
Administrative expenses	16	(1,946,207)	(1,275,587)
Operating loss		(1,389,903)	(581,613)
Finance cost	17	(2,447)	(2,397)
		(1,392,350)	(584,010)
Other operating income	18	221,544	218,308
Loss before taxation		(1,170,806)	(365,702)
Taxation	19	(55,087)	(15,380)
Loss after taxation		(1,225,893)	(381,082)
(Loss)/earnings per share	20	(12.26)	(3.81)

The annexed notes from 01 to 26 form an integral part of these financial statements.

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**CHIEF EXECUTIVE**



  
**DIRECTOR**

AM CHAUDHRY SECURITIES (PRIVATE) LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 Rupees	2015 Rupees
Loss for the year		(1,225,893)	(381,082)
Other comprehensive income / (loss)		-	-
Total comprehensive loss for the year		<u>(1,225,893)</u>	<u>(381,082)</u>

The annexed notes from 01 to 26 form an integral part of these financial statements.

TRGM

  
CHIEF EXECUTIVE



  
DIRECTOR

**AM CHAUDHRY SECURITIES (PRIVATE) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 Rupees	2015 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(1,170,806)	(365,702)
Adjustments for following items:			
Financial charges		2,447	2,397
Depreciation		49,280	74,370
Dividend income		(221,544)	(218,308)
Operating loss before working capital changes		(169,817)	(141,541)
		(1,340,623)	(507,243)
Adjustments for working capital changes:			
Trade receivables		4,386,397	11,387,449
Advances and other receivables		(7,061,149)	8,833,978
Trade and other payables		1,843,088	(3,168,023)
		(831,665)	17,053,404
Finance cost paid		(2,172,287)	16,546,161
Taxes paid		(2,447)	(2,397)
Net cash used in operating activities		(26,456)	(10,086)
		(2,201,190)	16,533,678
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed asset acquired		(1,348)	-
Long term investments		411,200	-
Dividend income		221,544	218,308
Net cash generated from investing activities		631,396	218,308
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term loans		-	-
Share deposit money		-	(15,326,206)
Net cash used in financing activities		-	(15,326,206)
Net increase in cash and cash equivalents		(1,569,795)	1,425,780
Cash and cash equivalents at the beginning of the year		4,349,125	2,923,345
Cash and cash equivalents at the end of the year		2,779,330	4,349,125

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**CHIEF EXECUTIVE**



  
**DIRECTOR**

**AM CHAUDHRY SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2016**

(RUPEES)

	SHARE CAPITAL	REVENUE RESERVES	TOTAL
<b>As at 01 July 2014</b>	9,379,142	(716,329)	8,662,813
Total comprehensive income for the year :			
loss for the year ended 30 June 2015		(381,082)	(381,082)
<b>As at 30 June 2015</b>	9,379,142	(1,097,411)	8,281,731
Total comprehensive income for the year :			
Profit for the year ended 30 June 2016		(1,225,893)	(1,225,893)
<b>As at 30 June 2016</b>	<u>9,379,142</u>	<u>(2,323,304)</u>	<u>7,055,838</u>

The annexed notes from 01 to 26 form an integral part of these financial statements.

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 CHIEF EXECUTIVE



  
 DIRECTOR



**AM CHAUDHRY SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

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**1 LEGAL STATUS AND NATURE OF BUSINESS**

The Company was incorporated in Pakistan on 31 May 2006 as a private limited company under the Companies Ordinance, 1984 and acquired corporate membership of Pakistan Stock Exchange Limited (Formerly: Lahore Stock Exchange Limited). The registered office of the company is situated at Room no.311, Lahore Stock Exchange building, 19 Khayaban-e-Aiwan-e-Iqbal, Lahore. The company is principally engaged in the business of investment advisory, purchase and sale of securities, financial consultancy, brokerage, underwriting, portfolio management and securities research.

**2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES**

**2.01 Statement of compliance**

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

**2.02 Basis of measurement**

These financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value and employees retirement benefits at present value. In these financial statements, except for cash flow statement, all transactions have been accounted for on accrual basis.

**2.03 Judgments, estimates and assumptions**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follow:

**Depreciation method, rates and useful lives of property, plant and equipment**

The management of the Company reassesses useful lives, depreciation method and rates for items of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to drive from that item.

**Recoverable amount of assets / cash generating units**

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

**Employees retirement benefits**

The present value of defined benefit obligation is based assumptions of future outcomes, the principal ones being in respect of increases in remuneration, expected average remaining working lives of employees and discount rate used to derive present value of defined benefit obligation.

**Taxation**

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

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**Provisions**

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

**2.04 Standards, interpretations and amendments to published approved accounting standards**

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

- Standards, amendments to published standards and interpretations effective in current year  
Following are the amendments that are applicable for accounting periods beginning on or after 01 July 2016:
- New/Revised Standards, Interpretations and Amendments  
IFRS 13- Fair Value Measurement. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard only affects the disclosures in the Company's financial statements.
- Improvement to Accounting Standards Issued by the IASB  
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations- (changes in methods of disposal)  
IFRS 7 Financial Instruments: Disclosures- (servicing contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements)  
IAS 19 Employee Benefits- (discount rate: regional market issue)  
IAS 34 Interim Financial Reporting- (disclosure of information 'elsewhere in the interim financial report')

The adoption of the above improvements to accounting standards and interpretations are not likely to have an impact on the Company's financial statements.

- Standards, interpretations and amendments to published standards that are effective but not relevant to the company.  
The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 01 July 2015 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

- Standards, interpretations and amendments to existing standards that are not yet effective  
The following amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after their respective effective dates.

IFRS 10 - Consolidated Financial Statements	01 January 2016
IFRS 11 - Join Arrangements	01 January 2016
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2016
IAS 16 and 38 - Clarification of Acceptable Method of Depreciation and Amortization	01 January 2016
IAS 16 and 41 - Agriculture: Bearer Plants	01 January 2016

- The above standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements except for the increased disclosures in certain cases.

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

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 09 - Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 15 - Revenue from Contracts with Customers	01 January 2018
IFRS 16 - Leases	01 January 2019

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

**3.01 Property, plant and equipment**

**Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the item.

Parts of an item of property and equipment having different useful lives are recognized as separate items.

Major renewals and improvements of an item of property and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

**Depreciation**

Depreciation is recognized in profit or loss by applying reducing balance method over the useful life of each item of property and equipment using the rates specified in note 13 to the financial statements.

Depreciation on addition to property and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

Depreciation method, useful lives and residual values are reviewed at each reporting date.

**De-recognition**

An item of property and equipment is de-recognized when permanently retired from use. Any gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

**3.02 Financial Instruments**

**Recognition**

A financial instrument is recognized when the company becomes a party to the contractual provisions of the instrument.

**De-recognition**

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged, cancelled or transferred to another party without retaining any obligation. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in the profit or loss.

**Measurement**

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

**Off-setting**

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis to realize the asset and settle the liability simultaneously.

"Regular way" purchases and sales of financial assets

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

**3.03 Ordinary share capital**

Ordinary share capital is recognized as equity. Incremental costs directly attributable to the issuer of ordinary shares and share options are recognized as deduction from equity.

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#### Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

#### 2.04 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

##### - Standards, amendments to published standards and interpretations effective in current year

Following are the amendments that are applicable for accounting periods beginning on or after 01 July 2016:

##### New/Revised Standards, Interpretations and Amendments

IAS 1, 'Presentation of Financial Statements' aims to improve presentation and disclosure in financial reports by emphasising the importance of understandability, comparability and clarity in presentation.

The amendments provide clarification on a number of issues, including:

- Materiality: an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact in the financial position or performance.
- Disaggregation and subtotals: line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes: confirmation that the notes do not need to be presented in a particular order.
- Other comprehensive income (OCI): arising from investments accounted for under the Equity Method - the share of OCI arising from equity - accounting investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

##### - Improvement to Accounting Standards Issued by the IASB

IAS 7 - Disclosure initiative  
IAS 12 - Recognition of deferred tax asset for unrealized losses  
IFRS 12 - Disclosure of interest in other entities

The adoption of the above improvements to accounting standards and interpretations are not likely to have an impact on the Company's financial statements.

##### - Standards, interpretations and amendments to published standards that are effective but not relevant to the company.

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 01 July 2016 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

##### - Standards, interpretations and amendments to existing standards that are not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after their respective effective dates.

IFRS 2 - Classification and measurement of share based payment transactions	01 January 2018
IFRS 4 - Insurance contracts	01 January 2018
IFRS 1 - First time adoption of International Financial Reporting Standards	01 January 2018
IAS 40 - Investment property	01 January 2018
IAS 28 - Investment in associates and joint venture	01 January 2018

- The above standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements except for the increased disclosures in certain cases.

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

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 09 - Financial Instruments: Classification and Measurement	01 January 2018
IFRS 15 - Revenue from Contracts with Customers	01 January 2018
IFRIC 22 - Foreign currency transaction and advance consideration	01 January 2018
IFRIC 23 - Uncertainty over Income Tax treatments	01 January 2019
IFRS 16 - Leases	01 January 2019
IFRS 17 - Insurance contracts	01 January 2021

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

#### 3.01 Property and equipment

Operating fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses and fully depreciated assets which are carried at residual value. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is charged to income by applying reducing balance method to write off the cost over estimated remaining useful life of assets. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from property, plant and equipments. Depreciation on addition to property, plant and equipment is charged from the date when asset is available for use up to the date of its de-recognition.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains / losses on disposal of fixed assets are included in current year's income.

Subsequent costs are included in the asset's carrying amount are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and cost of the item can be measured reliably. All other repair and maintenance cost are charged to the profit and loss account during the year in which these are incurred.

Fully depreciated assets are being kept at a token value of Rs. 1/- each.

#### 3.02 Intangible assets

Intangible assets represent Computer software and is stated at cost less accumulated amortization and any identified impairment loss.

Amortization is charged to income on the reducing balance method so as to write off the cost of an asset over its estimated useful life. Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off.

The company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

##### 3.02.1 Rooms at stock exchanges

These are stated at cost less impairment, if any. The carrying amounts are reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amounts, and where the carrying value is in excess of recoverable amount, these are written down to their estimated recoverable amount.

##### 3.02.2 TRE Certificates

Pursuant to demutualization, value approved by the Board of Directors of KSE has been used as its initial value. Provision is made for decline in value other than temporary, if any.



### 3.03 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 cash in hand and cash with bank in current and saving accounts.

### 3.04 Financial instruments

#### Financial assets

Financial assets are cash and bank balances, placements, investments, financing and other receivables. Finances and receivables from clients are stated at their nominal value as reduced by provision for doubtful finances and receivables, while other financial assets are stated at cost except for investments, which have been revalued as per accounting policy.

#### Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include borrowings and trade and other payables. Markup based financial liabilities are recorded at gross proceeds received. Other liabilities are stated at their nominal value.

#### Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Company becomes party to the contractual provision of the instrument. Financial assets are derecognized when the Company loses control of the contractual rights that comprise of the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

#### Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liabilities simultaneously.

### 3.05 Provisions

Provisions are recorded when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of obligation.

### 3.06 Taxation

#### Current

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

#### Deferred

Deferred tax is provided, using the balance sheet method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates ("and tax laws") that have been enacted or substantially enacted at the balance sheet date.

### 3.07 Related party transactions

The Company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

### 3.08 Impairment

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

### 3.09 Borrowing

These are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit or loss over the period of the borrowing on an effective interest basis.

### 3.10 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company and subsequently measured at amortized cost.

### 3.11 Trade and other receivables

Trade debts and other receivables are recognized initially at original invoice amount which is the fair value of trade debts and other receivables and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

### 3.12 Investment at fair value through profit or loss

Investments are classified as investments at fair value through profit or loss when either they are designated as such on initial recognition or are classified as held for trading. Held for trading investments are investments that are acquired principally for the purpose of selling them in the near future; or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of profit taking or that are derivatives, excluding financial guarantee contracts and designated and hedging instruments.

These are recognized initially at cost which includes transaction costs associated with the investment. Subsequent to initial recognition, quoted investments are measured at fair value. Unrealized gains and losses arising from changes in fair value are recognized in profit or loss. Gain or loss on sale of investments is recognized in profit or loss. Fair value of quoted investments is measured by reference to published price quotations in an active market. Unquoted investments, where active market does not exist, are carried at cost and checked for impairment at each year end. Impairment loss, if any, is charged to profit or loss.

### 3.13 Investment available for sale

Investments are classified as available for sale when these are intended to be held for an indefinite period of time and may be sold in response to need for the liquidity or change in equity prices.

These are recognized initially at cost which includes transaction costs associated with the investment. Subsequent to initial recognition, quoted investments are measured at fair value. Unrealized gains and losses arising from changes in fair value are recognized in equity until the investments are disposed off or impaired. Gain or loss on sale of these investments is recognized in profit or loss. Fair value of quoted investments is measured by reference to published price quotations in an active market. Unquoted investments, where active market does not exist, are carried at cost and checked for impairment at each year end. Impairment loss, if any, is charged to profit or loss.

**3.14 Securities sold / purchased under repurchase / resale agreements**

Securities sold subject to a linked repurchase agreement ('repo') are retained in the financial statements and the counterparty liability is included in borrowings under repurchase agreements. The difference between sale and repurchase price is treated as mark-up income and is accrued over the life of agreement using the effective yield method.

**3.15 Revenue**

Revenue is measure at fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other operating income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

**Revenue from different sources is recognized as follows:**

- Brokerage income is recognized as and when such services are rendered.
- Dividend income is recognized when right to receive payment is established.
- Underwriting commission is recognized as and when the contract is executed. Take-up commission is recognized at the time of actual take-up.
- Commission on continuous funding system is recognized as and when accrued.
- Rental income is recognized as and when accrued.
- Mark-up on saving account is recognized on time proportion basis.

**3.16 Borrowings cost**

Finance costs are recognized as an expense in the year in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of the relevant asset.

**3.17 Earnings per share (EPS)**

Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit and loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

**3.18 Ordinary share capital**

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

**3.19 Contingencies**

Contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

**3.20 Comprehensive income**

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards.

		2017	2016
	Note	Rupees	Rupees
5 INTANGIBLE ASSETS			
Trading Right Entitlement Certificate (TREC)	5.01	4,000,000	4,000,000
Accounting Software		50,000	50,000
		<u>4,050,000</u>	<u>4,050,000</u>



**Accounting software****Net carrying value**

Accounting software	50,000	50,000
Amortization charge	-	-
Net book value (NBV) as at 30 June 2017	<u>50,000</u>	<u>50,000</u>

**Gross carrying value**

Cost	50,000	50,000
Accumulated amortization	-	-
Net book value	<u>50,000</u>	<u>50,000</u>

Amortization rate per annum

30% 30%

**Trading Rights Entitlement Certificate - TREC**

Pakistan Stock Exchange Limited (2016 : LSE)		
Opening balance	4,000,000	4,000,000
Impairment during the year	-	-
Closing net book value	<u>4,000,000</u>	<u>4,000,000</u>

5.01 Pursuant to Memorandum of Understanding signed between Karachi Stock Exchange Limited (KSE), Lahore Stock Exchange Limited (LSE) and Islamabad Stock Exchange Limited (ISE) for integration of all three stock exchanges in Pakistan as envisaged in the Stock Exchanges (Corporation, Demutualization and Integration) Act 2012 (XV of 2012) [the Act], the company has been issued TREC's of Pakistan Stock Exchange Limited, in lieu of TREC of LSE previously issued. These have been carried at cost less impairment.

**6 LONG TERM INVESTMENTS****Available for sale**

Investment in LSE shares	6.01	4,439,750	4,439,750
		<u>4,439,750</u>	<u>4,439,750</u>

**6.01 Investment in LSE Shares**

Investment in LSE Shares 843,975 (2016: 843,975)			
Shares- at cost		4,439,750	4,439,750
		<u>4,439,750</u>	<u>4,439,750</u>

6.01.1 This represents the investment in 843,975 unquoted ordinary shares of M/s. LSE Financial Services Limited. These shares of LSE are taken at the cost.

6.01.2 337,590 shares with a carrying value of Rs. 1,775,900 are pledged.

**7 LONG TERM DEPOSIT**

Security deposit		780,000	780,000
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**8 TRADE RECEIVABLES**

Unsecured- considered good		523,356	483,163
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8.01 The Company holds client-owned capital securities with a fair value of PKR 24.512 million as collateral against trade debts.

8.02 The aging analysis of trade receivables is as follows:

	2017	
	Amount	Custody value
Upto five days	-	-
More than five days	523,356	16,828,054
	<u>523,356</u>	<u>16,828,054</u>

**9 RECEIVABLE FROM DIRECTORS**

Other receivables		4,403,678	7,213,230
		<u>4,403,678</u>	<u>7,213,230</u>

9.01 This represents amount due from related parties.

**10 CASH AND BANK BALANCES**

	Note	2017 Rupees	2016 Rupees
Cash in hand		432	1,806
Cash at bank-current account		6,157,963	2,777,524
		<u>6,158,395</u>	<u>2,779,330</u>

10.01 Bank balances include customers' bank balances held in designated bank accounts amounting to PKR 3.568 million (2016: PKR 2.777 million).

**11 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

100,000 ( 2016: 100,000) ordinary shares of Rs. 100/- each issued for cash	10,000,000	10,000,000
	<u>10,000,000</u>	<u>10,000,000</u>

**11.01 Pattern of shareholding**

Categories of shareholders	Number of shares held as at 1 July 2016	% of shares	Number of shares purchased during the year	Number of shares sold during the year	Number of shares held as at 30 June 2017	% of shares
<b>Individuals:</b>						
Arif Majid Chaudhry	51,000	51.00%	-	-	51,000	51.00%
Nazia Arif	24,500	24.50%	-	-	24,500	24.50%
Umer Arif	12,500	12.50%	-	-	12,500	12.50%
Hira Umer	12,000	12.00%	-	-	12,000	12.00%
		0.00%	-	-	-	0.00%
	<u>100,000</u>	<u>100%</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100%</u>

**12 TRADE AND OTHER PAYABLES**

Trade creditors	3,601,088	2,679,294
Other payables	254,531	182,280
Accrued expenses	71,587	72,614
	<u>3,927,206</u>	<u>2,934,188</u>

**13 PROVISION FOR TAXATION**

Opening balance	33,256	6,940
Add: Taxation - current	65,221	55,087
	98,477	62,027
Tax payments /adjustments during the year	(37,212)	(28,771)
	<u>61,265</u>	<u>33,256</u>

**14 CONTINGENCIES AND COMMITMENTS**

**Contingencies**

Contingencies at the balance sheet date is Nil (2016: Nil)

**Commitments**

Commitments at the balance sheet date is Nil (2016: Nil)

**15 REVENUE**

Brokerage	851,748	615,173
Less: Commission expense	-	(58,869)
	<u>851,748</u>	<u>556,304</u>

**16 ADMINISTRATION EXPENSES**

	Note	2017 Rupees	2016 Rupees
Salaries, wages and benefits		819,000	728,000
Rent, rates and taxes		284	2,261
Printing and stationery		8,345	3,258
Postage and telephone		83,250	86,930
Power, fuel and lubricants		111,638	121,366
Repair and maintenance		18,700	43,061
Travelling and conveyance		-	310
Legal and professional		133,931	136,075
Fee and subscription		2,515	619

Auditors' remuneration	16.01	250,000	250,000
Central Depository Company charges		61,878	90,842
National Clearing Company charges		12,405	12,303
PSX clearing charges		5,352	1,256
Entertainment		7,920	9,446
Depreciation	4.01	38,271	49,280
Miscellaneous expenses		35,150	411,200
		<u>1,588,639</u>	<u>1,946,207</u>
<b>16.01 Auditors' remuneration</b>			
Statutory audit fee		250,000	250,000
		<u>250,000</u>	<u>250,000</u>
<b>17 FINANCE COST</b>			
Bank charges and commission		4,502	2,447
		<u>4,502</u>	<u>2,447</u>
<b>18 OTHER OPERATING INCOME</b>			
Dividend income-Gross		369,240	221,544
Less: Tax on dividend		52,748	
		<u>421,988</u>	<u>221,544</u>
<b>19 TAXATION</b>			
Current			
- for the year		8,517	33,256
- Prior year		3,956	21,831
- Dividend Income tax		52,748	-
		<u>65,221</u>	<u>55,087</u>
<b>20 LOSS PER SHARE - BASIC AND DILUTED</b>			
<b>20.01 Basic</b>			
Net loss for the year		<u>(384,626)</u>	<u>(1,225,893)</u>
Weighted average number of shares outstanding during the period		<u>100,000</u>	<u>100,000</u>
Loss per share - basic ( Amount in Rupees)		<u>(3.85)</u>	<u>(12.26)</u>
<b>20.02 Diluted</b>			

There is no dilutive effect on the basic earnings per share of the company because the company has no outstanding potential ordinary shares.

## 21 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

### Risk management framework

The Board of Directors of the Company has an overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

### 21.01 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfil their obligations. There is a possibility of participants and of failure of the financial markets, the depositories, the settlements or clearing system.

	Rating Agency	Credit Rating	
		Short term	Long term
Bank Islamic	PACRA	A+	A1
MCB Bank Limited	PACRA	A1+	AAA

#### Exposure to credit risk

Credit risk of the Company arises principally from its trade debts, long term deposits, advances, deposits and other receivables and bank balances. The carrying amount of these financial assets represents the maximum credit exposure.

	2017 Rupees	2016 Rupees
Trade debts	523,356	483,163
Trade deposits and prepayments	4,403,678	7,213,230
Bank balances	6,157,963	2,777,524
	<u>11,084,997</u>	<u>10,473,917</u>

#### Credit risk management

To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their worth and proper margins are collected from and maintained by the clients. The Management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful for recovery.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies and investment and operational guidelines.

All transactions in listed securities are settled using National Clearing Company of Pakistan Limited, being the central clearing company of the country. The risk of default in such transactions is considered minimal, as delivery of securities is guaranteed by the stock exchange. The Company does not expect to incur material credit losses on its financial assets.

The maximum exposure to credit risk before any credit enhancements at 30 June 2017 is the carrying amount of the financial assets as set out below:

	2017 Rupees	2016 Rupees
Long term investment - Available for sale	4,439,750	4,439,750
Long term deposits	780,000	780,000
Trade debts	523,356	483,163
Trade deposits and prepayments	4,403,678	7,213,230
Bank balances	6,157,963	2,777,524
	<u>11,864,997</u>	<u>11,253,917</u>

Except for the impairment disclosed above, no impairment has been recognized in respect of these receivables as the security against the same is adequate. The Company is doing its utmost to recover the amount from the doubtful clients and is confident that majority of the amount would be recovered based on the past experience and the recovery efforts being carried out by the Company.

The credit quality of the Company's cash and cash equivalents, held with various commercial banks and financial institutions is assessed with reference to external credit ratings thereof, ranging from AAA to A+ assigned by reputable credit rating agencies.

#### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is diversified and transactions are entered into with credit-worthy counterparties of diverse natures thereby mitigating any significant concentrations of credit risk.

#### 21.02 Liquidity risk

Liquidity risk represents the risk that the company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to growing nature of the business, the company maintains flexibility in funding by maintaining committed credit lines available.

The table below analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Description	Carrying Amounts	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
<b>30-Jun-17</b>					
Trade and other payables	3,927,206	3,927,206	3,927,206	-	-
	<u>3,927,206</u>	<u>3,927,206</u>	<u>3,927,206</u>	<u>-</u>	<u>-</u>
<b>30-Jun-16</b>					
Trade and other payables	2,934,188	2,934,188	2,934,188	-	-
	<u>2,934,188</u>	<u>2,934,188</u>	<u>2,934,188</u>	<u>-</u>	<u>-</u>

### 21.03 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios and optimal capital structure in order to ensure ample availability of finance for its existing operations, for maximizing shareholder's value, for tapping potential investment opportunities and to reduce cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. Furthermore, the Company finances its operations through equity, borrowing and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

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

### 21.04 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Interest rate risk arises from the possibility that changes in interest will affect the value of financial instruments. Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of financial assets and liabilities that mature or reprise in a given period.

	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees	Not exposed to interest rate risk Rupees	Total Rupees
<b>As at 30 June 2017</b>					
<b>FINANCIAL ASSETS</b>					
Trade receivables	523,356	-	-	-	523,356
Advances and other receivables	-	-	-	4,403,678	4,403,678
Bank balances	-	-	-	6,157,963	6,157,963
	<u>523,356</u>	<u>-</u>	<u>-</u>	<u>10,561,641</u>	<u>11,084,997</u>
<b>FINANCIAL LIABILITIES</b>					
Trade and other payables	-	-	-	3,927,206	3,927,206
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,927,206</u>	<u>3,927,206</u>
Total Interest rate sensitivity gap	523,356	-	-	-	-
Cumulative interest rate sensitivity gap	<u>523,356</u>	<u>523,356</u>	<u>523,356</u>	-	-
<b>As at 30 June 2016</b>					
<b>FINANCIAL ASSETS</b>					
Trade receivables	483,163	-	-	-	483,163
Advances and other receivables	-	-	-	7,213,230	7,213,230
Cash and bank balances	-	-	-	2,777,524	2,777,524
	<u>483,163</u>	<u>-</u>	<u>-</u>	<u>9,990,754</u>	<u>10,473,917</u>
<b>FINANCIAL LIABILITIES</b>					
Trade and other payables	-	-	-	2,934,188	2,934,188
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,934,188</u>	<u>2,934,188</u>