

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
Individuals:						
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>
16.01 Auditors' remuneration			
Statutory audit fee		250,000	250,000
		<u>250,000</u>	<u>250,000</u>
17 FINANCE COST			
Bank charges and commission		4,502	2,447
		<u>4,502</u>	<u>2,447</u>
18 OTHER OPERATING INCOME			
Dividend income-Gross		369,240	221,544
Less: Tax on dividend		52,748	
		<u>421,988</u>	<u>221,544</u>
19 TAXATION			
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>
20 LOSS PER SHARE - BASIC AND DILUTED			
20.01 Basic			
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>
20.02 Diluted			

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
30-Jun-17					
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>
30-Jun-16					
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
As at 30 June 2017					
FINANCIAL ASSETS					
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>
FINANCIAL LIABILITIES					
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>		
As at 30 June 2016					
FINANCIAL ASSETS					
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>
FINANCIAL LIABILITIES					
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>

Total Interest rate sensitivity gap	483,163	-	-
Cumulative interest rate sensitivity gap	<u>483,163</u>	<u>483,163</u>	<u>483,163</u>

Mark-up rates are mentioned in the respective notes to the accounts.

Market risk management

The Company manages market risk by monitoring exposure on marketable securities by following the internal risk management and investment policies and guidelines.

- Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present, is not exposed to currency risk as all transactions are carried out in Pak Rupees.

- Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market yield.

Sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not have affected the after tax loss of the Company.

Other price risk

Price risk includes equity price risk which is the risk of changes in the fair value of equity securities as a result of changes in the levels of KSE-Index and the value of individual shares.

The equity price risk exposure arises from investments in equity securities held by the Company for which prices in the future are uncertain. There is no outstanding exposure of the Company in lieu of equity securities as at 30 June 2016.

21.05 Fair value of financial instruments

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at 30 June 2017	Level 1	Level 2	Level 3	Total
Financial asset:				
Available for sale				
Investment in shares of LSE	-	-	4,439,750	4,439,750
Total non-financial assets	<u>-</u>	<u>-</u>	<u>4,439,750</u>	<u>4,439,750</u>
As at 30 June 2016	Level 1	Level 2	Level 3	Total
Financial asset:				
Available for sale				
Investment in shares of LSE	-	-	4,439,750	4,439,750
Total non-financial assets	<u>-</u>	<u>-</u>	<u>4,439,750</u>	<u>4,439,750</u>

22 SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to 30 June 2017, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

23 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of holding company, subsidiaries and associated undertakings, other related group companies, key management personnel including chief executive, directors and executives and post employment benefit plans. The company in the normal course of business carries out transactions with various related parties.

24 NUMBER OF EMPLOYEES

The total number of employees as at June 30, 2017 were 04 (June 30, 2016: 04) and the average number of employees during the year were 04 (June 30, 2016: 04).

25 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue as on 04 October 2017 by the Board of Directors of the Company.

26 GENERAL

- Figures have been rounded off to the nearest Rupees in except where stated otherwise.
- Corresponding figures have been rearranged/reclassified, wherever necessary, to facilitate comparison.


CHIEF EXECUTIVE




DIRECTOR