Parker Randall International

Parker Randall-A.J.S.

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SHAFFI SECURITIES (PRIVATE) LIMITED** ("the Company") as at June 30, 2017 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and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984.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:

i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;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;

(b) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2017 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

(c) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to the following uncertainty: -

Note. 1.1 to the financial statements, which states that the Company has incurred after tax loss of Rs 6.853 million (2016: loss of Rs. 1.226 million) and has accumulated loss of Rs. 25.331 million (2016: accumulated loss Rs. 17.551 million) as at June 30, 2017. Furthermore, the company is subject to inspection from JIT for which an adequate response from the company is pending. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

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We draw attention to the fact that comparative financial statements for the year ended June 30, 2016 were audited by another firm of Chartered Accountants who gave unqualified opinion.

Parker Randall AJS

Date: October 05, 2017
Lahore:

Parker Randall – A.J.S.
Chartered Accountants
Engagement Partner:Faisal Iqbal Khawaja

PARKER RANDALL
Chartered Accountants
A.J.S

SHAFFI SECURITIES (PRIVATE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2017

	NOTE	2017 RUPEES	2016 RUPEES
EQUITY AND LIABILITIES			
SHARE CAPITAL & RESERVES			
Share capital			
Authorized			
8,000,000 (2016: 8,000,000) Ordinary shares of Rs. 10/- each.		80,000,000	80,000,000
Issued, subscribed and paid up capital	4	57,500,000	57,500,000
Reserves			
Revenue			
Accumulated loss		(25,331,730)	(17,551,146)
		32,168,270	39,948,854
NON CURRENT LIABILITIES			
Long term financing	5	-	3,631,000
CURRENT LIABILITIES			
Trade & other payables	6	620,359	1,734,815
Short term borrowings		-	-
Withholding Tax Payable		-	
Temporary Overdraft		300,355	-
		920,713	1,734,815
CONTINGENCIES AND COMMITMENTS	7	-	-
		33,088,983	45,314,669

	NOTE	2017 RUPEES	2016 RUPEES
ASSETS			
NON CURRENT ASSETS			
Tangible			
Property and equipment			
Operating fixed assets	8	813,145	794,176
Intangible assets	9	6,020,000	7,712,000
		6,833,145	8,506,176
Long term investments	10	4,080,000	16,488,000
Long term deposits	11	3,706,024	3,706,024
CURRENT ASSETS			
Trade debts	12	6,981,797	12,621,772
Short term investments	13	6,847,497	1,535,553
Advances and prepayments	14	2,143,649	1,123,535
Tax refunds due from the Government	15	936,478	514,664
Cash and bank balances	16	1,560,393	818,945
		18,469,814	16,614,469
		33,088,983	45,314,669

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

CHIEF EXECUTIVE

DIRECTOR

SHAFFI SECURITIES (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	NOTE	2017 RUPEES	2016 RUPEES
Revenue		762,876	2,209,123
Operating and administrative expenses	17	(5,476,648)	(3,449,640)
Operating loss		(4,713,772)	(1,240,517)
Finance cost	18	(27,502)	(35,173)
		(4,741,274)	(1,275,690)
Other income / (expenses)	19	(1,990,709)	186,059
Loss before taxation		(6,731,983)	(1,089,631)
Taxation	20	(121,577)	(136,736)
Net loss for the year		(6,853,560)	(1,226,367)
Loss per share - Basic and diluted	21	(1.19)	(0.21)

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

CHIEF EXECUTIVE

DIRECTOR

SHAFFI SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	2017 RUPEES	2016 RUPEES
Net loss for the year	(6,853,560)	(1,226,367)
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
- Unrealized gain / (loss) on remeasurement of short term investment	(927,024)	63,931
Total comprehensive loss for the year	(7,780,584)	(1,162,435)

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

CHIEF EXECUTIVE **DIRECTOR**

SHAFFI SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

PARTICULARS	SHARE CAPITAL	REVENUE RESERVES	TOTAL
		ACCUMULATED LOSS	
	RUPEES		
BALANCES AS AT JULY 01, 2015	57,500,000	(16,388,711)	41,111,289
Total comprehensive loss for the year	-	(1,162,435)	(1,162,435)
BALANCES AS AT JUNE 30, 2016	57,500,000	(17,551,146)	39,948,854
Total comprehensive loss for the year	-	(7,780,584)	(7,780,584)
BALANCES AS AT JUNE 30, 2017	57,500,000	(25,331,730)	32,168,270

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

CHIEF EXECUTIVE **DIRECTOR**

SHAFFI SECURITIES (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	2017 RUPEES	2016 RUPEES
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(6,731,983)	(1,089,631)
Adjustment for non cash / non operating items:		
Depreciation	87,330	81,129
Loss on Sale of Investment	2,963,326	-
Impairment	1,692,000	-
Finance charges	27,502	35,173
	4,770,157	116,302
Operating loss before working capital changes	(1,961,825)	(973,329)
Adjustments for working capital changes:		
(Increase) / decrease in current assets		
Trade debts	5,639,975	3,737,198
Short term investments	(10,535,389)	(1,471,622)
Advances and prepayments	(1,020,114)	(423,535)
Increase / (decrease) in current liabilities		
Trade & other payables	(1,114,456)	(4,136,342)
	(7,029,984)	(2,294,301)
Cash used in operating activities	(8,991,809)	(3,267,630)
Income tax paid	(543,392)	(209,576)
Finance cost paid	(27,502)	(35,173)
Net cash used in operating activities	(9,562,703)	(3,512,378)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Acqusition of fixed asset	(106,299)	(112,350)
Sale Proceeds from Investment	13,741,095	-
Margin Deposit	-	-
Net cash generated / (used) in investing activities	13,634,796	(112,350)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing	(3,631,000)	2,431,000
Short term borrowings	-	-
Bank Overdraft		-
Net cash generated / (used) in financing activities	(3,631,000)	2,431,000
Net increase / (decrease) in cash and cash equivalents (A+B+C)	441,093	(1,193,728)
Cash and cash equivalents at the beginning of the year	818,945	2,012,673
Cash and cash equivalents at the end of the year	1,260,038	818,945

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

CHIEF EXECUTIVE

DIRECTOR

SHAFFI SECURITIES (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

1. Status and nature of business

The company was incorporated as a private limited company in Pakistan under the companies ordinance, 1984 on June 02, 1997. The company is a Trading Right Entitlement Certificate Holder of the Pakistan Stock Exchange Limited (Formerly: Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited). It is also the member of Pakistan Mercantile Exchange Limited. The Registered office of the company is located at room no. 201, Pakistan Stock Exchange building 10-Khauyaban -e- Aiwan-e-Iqbal, Lahore. It is principally engaged in the business of brokerage, underwriting, buying and selling of stocks, shares, modaraba certificates, etc.

1.1 Going Concern Assumption

The Company has incurred after tax loss of Rs 6.853 million (2016: Loss of Rs 1.226 million) and has accumulated loss of Rs 25.331 million (2016: Loss Rs. 17.551 million) as at June 30, 2017. The Brokerage Revenue of the company has reduced by 65.47% and has negative operating cashflows. The company itself and its clients heavily rely on MTS and the company has not made proper agreements with its clients regarding the exposure they face in MTS. Furthermore the company is currently being inspected by the Joint Investigation Team (JIT) for which the final hearing is pending. The company has yet to rectify issues highlighted in the report which casts material uncertainity.These conditions combined indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements, however, have been prepared under the going concern assumption. However, any adjustments relating the recoverability of recorded assets and settlement of recorded liabilities have not been incorporated in these accounts as the Board of Directors have plan to sustain and increase the operations of the company. The Board of Directors have further resolved to provide all sort of financial and other help to the company in achieving its foregoing objectives. The management of the company expects continuous support from its directors, sponsors and lenders in the foreseeable future. The Board is also actively working on restructuring of the operation of the company so that it so it can operate in a more viable manner along with rectifying the issues highlighted in the JIT report. Keeping in view the factors which the Board of Directors are implementing, the going concern assumption is considered appropriate.

2. Basis of preparation

2.1. Statement of compliance

During the year, the Companies Act 2017 ("the Act") has been promulgated, however, Securities and Exchange Commission of Pakistan vide its Circular No. CLD/CCD/PR(11)/2017 dated July 20, 2017 communicated that the Commission has decided that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board (IASB) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. Wherever, the requirements of the repealed Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the repealed Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2. Basis of measurement

These financial statements have been prepared under the historical cost convention except otherwise stated in relevant notes.

2.3. Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is the Pakistan Rupee (Rs).

2.4. Adoption of new and revised standards and interpretations

Following amendments to approved accounting standards became effective during the year which the Company has adopted, however, it did not have any significant impact on the Company's financial statements other than certain increased disclosures:

Standard or Interpretation		Effective date (annual reporting period begining on or after)
IAS 7	Statement of Cash Flows (Amendments)	January 1, 2017
IAS 12	Income Taxes (Amendments)	January 1, 2017
IFRS 2	Share Based Payments	January 1, 2018
IAS 40	'Investment Property'	January 1, 2018
IFRIC 22	'Foreign Currency Transactions and Advance Consideration'	January 1, 2018
IFRIC 23	'Uncertainty over Income Tax Treatments'	January 1, 2018
IFRS 12	'Disclosure of Interests in Other Entities'	January 1, 2017
IAS 28	'Investments in Associates and Joint Ventures'	January 1, 2018

New standards and amendments/interpretations to existing standards that have been published but not yet effective

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment loss, if any. Cost of these assets consists of historical cost and directly attributable cost of bringing the assets to working condition. Depreciation on addition and deletion is charged on the basis of number of months the asset remains in use of the company. Assets' residual values, useful life's and depreciation rates are reviewed and adjusted, if appropriate, at each balance sheet date. Any impairment loss, or its reversal, is also charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the assets' carrying amount less the residual value over its estimated useful life. Normal repair and maintenance is charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in profit and loss account.

3.2. Intangible assets

(a) Membership cards - infinite useful life

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

(b) Trading rights entitlement certificate

These are measured on initial recognition at cost. Following initial recognition these are carried at cost less accumulated impairment, if any. Cost on initial recognition in an acquisition transaction is determined as the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of asset acquisition. When there is an exchange of assets and the fair value of neither the asset received nor the asset given up can be reliably measured, the cost of the asset received should be measured at the carrying amount of the asset given up. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and where carrying values exceed estimated recoverable amount, these are written down to their estimated recoverable amount.

(c) License to use rooms

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

3.3. Investments

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current.

(a) Long term investments available for sale

These represent shares in Pakistan Stock Exchange Limited(Formerly: Lahore Stock Exchange Limited), a public unlisted company, therefore they have been stated at cost. Cost is determined as the value of the membership card with which it has been exchanged.

(b) Short term investments available for sale

These are initially recognized at cost and at subsequent reporting dates measured at fair values. Gains or losses from changes in fair values are taken to profit and loss account.

3.4. Trade debts and other receivable

Trade debts are stated net of provision. Full provisions are made against the debts considered doubtful. This includes receivable from members of stock exchange and customers.

Other receivables are recognized at nominal amount which is the fair value of the consideration to be received less an allowance for any uncollectable amount.

3.5. Revenue recognition

-Brokerage fee are recognized as and when services are provided.

- Capital gains or losses on sale of investment are taken to income in the year in which they arise.

-Dividend income is recognized when the right to receive the dividend is established.

- Return on securities other than shares is recognized as and when it is due on accrual basis.

3.6. Borrowing costs

Mark-up, interest and other charges on borrowings which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs i.e. mark-up, interest and other charges are charged to the profit and loss account in the period in which they are incurred.

3.7. Foreign currency translation

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies at the year end are translated at exchange rates prevailing at the balance sheet date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Exchange differences are included in profit and loss account for the year.

3.8. Trade and other payables

Liabilities for trade and other amounts payable 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.

3.9. Taxation

Provision of current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred tax is accounted for using the 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 basis used in the computation of taxable profit. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

3.10. Provisions

Provisions are recognized when the company has the legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and are reliable estimate of the amount can be made.

3.11. Impairment

(a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

(b) Non-Financial asstes

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.12. Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves is recognized in the financila statements in the period in which these are approved.

3.13. 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, cash with banks and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

3.14. Earning per share (EPS)

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.15. Financial instruments

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost as the case may be. A financial asset is de-recognized when the company loses control of its contractual rights that comprise the financial asset. A financial liability is de-recognized when it is extinguished. Any gain or loss on de-recognition of the financial assets or liabilities is taken to profit and loss account currently. The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

3.16. Off setting of financial instruments

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

	NOTE	2017 RUPEES	2016 RUPEES

4. Issued, subscribed and paid up capital

	2017	2016
2,250,000 (2016: 2,250,000) Ordinary shares of Rs.10 each fully paid in cash	22,500,000	22,500,000
3,500,000 (2016: 3,500,000) Ordinary shares of Rs.10 each issued against consideration other than cash	35,000,000	35,000,000
	57,500,000	57,500,000

5. Long term financing

	2017	2016
Un-secured		
Interest free		
Loan from directors	-	3,631,000

5.1. Although it was agreed between the company and the Director that the loan will not be repaid in the current financial year. In the current year the company revised the agreement and agreed with the Director for repayment of the loan.

6. Trade & other payables

	2017	2016
Creditors	239,278	1,044,744
Accrued liabilities	381,081	690,071
	620,359	1,734,815

7. Contingencies and commitments

7.1 There were no contingencies and commitments as at June 30, 2017 (2016: Nil)

8. Operating fixed assets

----------2017----------

PARTICULARS	COST			ACCUMULATED DEPRECIATION			NET CARRYING VALUE AS AT 30-06-17	RATE %
	TOTAL AS AT 01-07-16	ADDITIONS / (DELETIONS)	TOTAL AS AT 30-06-17	TOTALAS AT01-07-16	FOR THE YEAR	TOTALAS AT30-06-17		
Furniture and Fixtures	350,430	-	350,430	293,590	5,684	299,274	51,156	10
Office equipment	3,205,174	106,299	3,311,473	2,474,604	80,293	2,554,897	756,576	10
Vehicles	223,000	-	223,000	216,234	1,353	217,587	5,413	20
RUPEES 2016	3,778,604	106,299	3,884,903	2,984,428	87,330	3,071,758	813,145	

----------2016----------

PARTICULARS	COST			ACCUMULATED DEPRECIATION			NET CARRYING VALUE AS AT 30-06-16	RATE %
	TOTAL AS AT 01-07-15	ADDITIONS / (DELETIONS)	TOTAL AS AT 30-06-16	TOTALAS AT01-07-15	FOR THE YEAR	TOTALAS AT30-06-16		
Furniture and fixtures	350,430	-	350,430	287,274	6,316	293,590	56,840	10
Office equipment	3,092,824	112,350	3,205,174	2,401,483	73,121	2,474,604	730,570	10
Vehicles	223,000	-	223,000	214,542	1,692	216,234	6,766	20
RUPEES 2016	3,666,254	112,350	3,778,604	2,903,299	81,129	2,984,428	794,176	

9. Intangible assets

	2017			
	Trading Right Entitlement Certificate (9.1)	Rooms at PSX	Membership Cards PMEX	Total
	RUPEES			
Net book value at the beginning of the year	3,612,000	3,100,000	1,000,000	7,712,000
Addition/ (Deletion)	(1,692,000)	-	-	(1,692,000)
Net book value at the end of the year	1,920,000	3,100,000	1,000,000	6,020,000

	2016			
	Trading Right Entitlement Certificate	Rooms at PSX	Membership Cards PMEX	Total
	RUPEES			
Net book value at the beginning of the year	3,612,000	3,100,000	1,000,000	7,712,000
Addition	-	-	-	-
Net book value at the end of the year	3,612,000	3,100,000	1,000,000	7,712,000

	NOTE	2017 RUPEES	2016 RUPEES
9.1 Trading Rights Entitlement Certificates (TREC) comprises of:			
TREC of Pakistan Stock Exchange Limited (formerly: Lahore Stock Exchange Limited)	9.2	1,920,000	1,920,000
TREC of Pakistan Stock Exchange Limited (formerly: Islamabad Stock Exchange Limited)		-	1,692,000
		1,920,000	3,612,000

9.2 Trading Right Entitlement Certificate (TREC) is received from Pakistan Stock Exchange Limited (PSX) in accordance with the requirements of the Stock Exchanges (Corporation, Demutualization and integration) Act,2012(the Act).Subsequently from 11th January 2016 Lahore, Islamabad and Karachi Stock Exchanges have been integrated to form Pakistan Stock Exchange with the approval of SECP. The company has also received shares of PSX after completion of demutualization process. Before demutualization the stock exchanges were functioning as Guarantee Limited Companies, wherein ownership and trading rights were conferred to members through membership cards.

Pursuant to demutualization, the ownership in a stock exchange has been segregated from the right to trade on the exchange. Therefore the membership cards were replaced by shares in the exchange representing ownership in the exchange and trading rights entitlement certificates (TREC) representing rights to trade in the exchange. As a result 843,975 shares at Rs. 10 each (Formerly: LSE) and 3,034,063 shares at Rs. 10 each (Formerly: ISE) were allocated to the company. Out of total shares issued by the PSX, the company has actually received 40% equity shares i.e., 337,590 shares of PSX (Formerly: LSE) and 1,213,841 shares of PSX (Formerly: ISE). The remaining 60% shares have been transferred to CDC sub- account in the company's name under the PSX's participant IDs with the CDC which will remain blocked until these are divested / sold to strategic investor(s), general public and financial institutions and proceeds are paid to the company. The Institute of Chartered Accountants of Pakistan in its 'selected opinion' concluded that the demutualization, in substance, had not resulted in exchange of dissimilar assets, and therefore no gain or loss should be recognized and the segregation of ownership rights and the trading rights should be accounted for by allocating the cost/carrying value of the membership card between the two distinct assets on a reasonable basis. The TREC can only be sold or transferred once, however once sold it would not be sellable / transferable again. The transaction is in nature an exchange of an intangible asset (membership card) with a financial asset (shares) together with an intangible asset (TREC).

The Institute of Chartered Accountants of Pakistan further in its 'selected opinion' stressed that any subsequent measurement of the shares and / or TREC would only be possible where reliable fair values can be measured. This would most likely happen when the blocked shares are sold to the strategic investor or to the general public through an IPO and an active market develops for the TREC.

Taking to account the above factors and in the absence of an active market for determining fair value of TREC and shares, the value of the TREC and shares have thus been initially measured at the value of the membership card with which they have been exchanged and subsequently carried at cost. For this purpose, the value of the membership card has first been allocated to shares @ Rs.10/- per share being the par value of shares with the remaining value being allocated to TREC. Resultantly the shares have been recognized at Rs. 4.08 million (LSE) and Rs. 12.4 million (ISE) and TREC at Rs. 1.92 million (LSE) and Rs. 1.69 million (ISE).

In order to comply with the Base Minimum Capital requirements, the company has mortgaged TREC and has pledged 40% - 337,590 shares of PSX (Formerly: LSE) and 1,213,841 shares of PSX (Formerly: ISE) amounting to Rs 4,000,000 & Rs 3,821,181 respectively, being the values assigned to these assets by PSX for Base Minimum Capital purpose.

In the notice No. 2081 dated April 28, 2015 the Pakistan Stock Exchange intimated to all TREC holders that it has received Auditor's review report on the half-yearly accounts for the period ended December 31, 2014. Accordingly, for the purpose of calculation of Base Minimum Capital of PSX brokers the notional value of TREC is Rs. 4.1 Million and Net Asset Value per share of LSE is Rs. 11.60.

Institute of Chartered Accountants of Pakistan further in its 'selected opinion' stated that the apportioned carrying value would be required to be tested for impairment as per IAS 36, if any. When the management and the auditor conclude that there is no impairment, they may continue to use the apportioned carrying value.

In the letter dated December 18, 2015 reference number SMD/SE/2(7)/2002 SECP the requirements of Base Minimum Capital are defined in light of integration of Stock Exchanges which took immediate effect on date of integration. In the notice dated September 29, 2016 reference number PSX/N-5328 the notional value of the TRE Certificate was Rs. 5 Million for the purposes of Base Minimum Capital. The base minimum capital being maintained by the company is regularly monitored by the SECP. In the notice no. PSX/N-6402 dated October 20, 2017 the Break up Value being used for determining the Base Minimum Capital for LSE shares is Rs. 18.29 based on accounts of 30 June 2017. LSE financial services has further provided bank gurantee to Pakistan Stock Exchange Ltd. from TREC holders Contribution Fund Trust and Investors protection fund Trust towards BMC shortfall of ex-TREC holders of former Lahore Stock Exchange Limited inducted as TREC holder of PSX.

	NOTE	2017 RUPEES	2016 RUPEES
10. Long term investments			
Available for sale - at cost			
Investment in unquoted companies			
Lahore Stock Exchange Limited	9.2	4,080,000	4,080,000
Islamabad Stock Exchange Limited	9.2	-	12,408,000
		4,080,000	16,488,000
11. Long term deposits			
Trading floors		1,206,024	1,206,024
Building deposits with PMEX		2,500,000	2,500,000
		3,706,024	3,706,024
12. Trade debts			
Considered good			
Un-secured			
Local		6,981,797	12,621,772

12.1 It includes an amount due from Director of Rs. 3,361,078 (2016: 6,229,042)

12.2 Aging Analysis	Amount	Custody Value
	Rupees	
Upto five days	802,854	2,722,392
More than five days	6,178,943	3,599,448
	6,981,797	6,321,840

13. Short term investments

Held for trading	6,847,497	1,535,553
Listed securities		
	Market Values	
Silk Bank Limited - 474,500 (2016 - 172,240) Shares	797,160	292,808
Lotte Chemical Pakistan Limited - Nil (2016 - 28,000) Shares	-	168,280
The Bank of Punjab - 18,000 (2016 -16,500) Shares	212,040	132,660
Other Marketable Securities - 831,578 (2016 - 383,054) Shares	5,838,297	941,805
	6,847,497	1,535,553
	Carrying Values	
Silk Bank Limited - 474,500 (2016 - 172,240) Shares	878,371	289,363
Lotte Chemical Pakistan Limited - Nil (2016 - 28,000) Shares	-	162,960
The Bank of Punjab - 18,000 (2016 -16,500) Shares	207,955	116,309
Other Marketable Securities - 831,578 (2016 - 383,054) Shares	6,688,195	902,990
	7,774,521	1,471,622
Surplus / (Loss) on remeasurement to fair value-net	(927,024)	63,931

	NOTE	2017 RUPEES	2016 RUPEES
14. Advances and prepayments			
Exposure draft		400,000	700,000
Advances to NCCPL		1,743,649	423,535
		2,143,649	1,123,535
15. Tax refunds due from the Government			
Income tax		936,478	514,664
16. Cash and bank balances			
Cash in hand		43,714	69,656
Cash at bank			
Current accounts		1,516,679	749,289
		1,560,393	818,945
16.1 Cash at banks			
Client Account		233,697	44,242
House Account		1,282,982	705,047
		1,516,679	749,289
17. Operating and administrative expenses			
Directors' remuneration	17.1	972,000	972,000
Staff salaries and benefits		1,008,000	654,000
Rent, rates and taxes		96,720	178,696
CDC and NCCPL charges		136,318	203,280
Printing and stationery		45,070	65,941
Postage and telegram		12,499	19,249
Telephone expenses		316,335	222,323
Electricity expenses		504,360	533,601
Entertainment		54,140	50,056
Computer expenses		55,610	78,380
Fee and subscription		270,453	161,650
Newspaper and periodicals		10,566	8,358
Audit fee		125,000	75,000
Depreciation	8	87,330	81,129
Impairment		1,692,000	-
Bad Debts Expense		90,247	24,043
Miscellaneous		-	121,934
		5,476,648	3,449,640

17.1. Directors' remuneration

	2017 CEO	2017 Director	2017 Total	2016 CEO	2016 Director	2016 Total
No. of persons	1	2	3	1	2	3
	Rupees					
Remuneration for services	324,000	648,000	972,000	324,000	648,000	972,000
	324,000	648,000	972,000	324,000	648,000	972,000

	2017 RUPEES	2016 RUPEES
18. Finance cost		
Bank charges	22,092	18,398
Bank markup	5,409	16,775
	27,502	35,173

	NOTE	2017 RUPEES	2016 RUPEES
19. Other income / (expenses)			
Dividend income		972,617	1,092,897
Capital gain / (loss) on sale of shares		(2,963,326)	(906,838)
		(1,990,709)	186,059
20. Taxation		121,577	136,736

20.1. Keeping in view the available tax losses, and non availability of future taxable profits against which deferred tax assets can be utilized. Therefore, provision for deferred tax assets has not been recognized in these financial statements

	2017	2016
21. Loss per share - Basic and diluted		
There is no dilutive effect on the basic loss per share of the company;		
Loss after taxation (Amount in Rupees)	(6,853,560)	(1,226,367)
Weighted average number of ordinary shares	5,750,000	5,750,000
Loss per share	(1.19)	(0.21)

22.1 Risk management framework

22.2. Financial assets and liabilities by category and their respective maturities

	June 30, 2017		June 30, 2016	
	RUPEES			
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year
Financial Assets				
Long term Investments	-	4,080,000	-	16,488,000
Long term deposits	-	3,706,024	-	3,706,024
Trade debts	6,981,797	-	12,621,772	
Short term investments	6,847,497	-	1,535,553	
Advances and prepayments	2,143,649	-	1,123,535	
Tax refunds due from the Government	936,478	-	514,664	
Cash and bank balances	1,560,393	-	818,945	
	18,469,814	7,786,024	16,614,469	20,194,024
Financial liabilities				
Trade & other payables	620,359	-	1,734,815	-
Short term borrowings	-	-	-	-
	620,359	-	1,734,815	-

22.3 Fair Values

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If the transaction is not based on market terms, or if a market price cannot be readily determined, then an estimate of future cash payments or receipts, discounted using the current market interest rate for a similar financial instrument, is used to approximate the fair value.

22.4 Financial Risk Factors

The Company's activities expose to a variety of financial risks from use of financial instruments including:

Credit risk
Liquidity risk
Market risk

The company's overall risk management programmed focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

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

Company risk management objective and policies

The company risk management policies are established to identify and analysis the risk faced by the company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and system are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through it's training and management standards and procedures, aims to develop discipline and constructive control environment in which all employees understand their roles and obligations.

The company's management oversees how management monitors and compliance with company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the company.

22.4.1. Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter party fail completely to perform as contracted and arise principally from trade receivables, loans and advances and trade deposits.

To manage exposure to credit risk in respect of trade receivables. Management maintains procedures covering the application for credit approvals, granting and renewal of counter parties limit taking into account the customer's financial position, past track record, credit rating and factors. As a part of these processes, exposures of credit risk are regularly monitored, assessed and customers are persuaded for prompt recovery. In addition to this the company has established an allowance for impairment that is estimate of expected losses in respect of trade debts. This allowance is based on management assessment of specific loss component that relate to significant exposures. Sales and purchase transactions are also exclude against advance payments to further prudently manage the credit risk.

The company limits its exposure to credit risk by following the policies and procedures of approval and continuous monitoring of loans and advances extended to management / staff and supplier and maintain bank account only with counterparty that have high degree of credit rating. Advance tax is adjustable or recoverable from FBR which is a State authority and high credit rating. Given these high credit ratings, management do not expect that any of these counterparty fail to meet its obligations.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date was :

	2017 Rupees	2016 Rupees
Long term investments	4,080,000	16,488,000
Long term deposits	3,706,024	3,706,024
Trade debts	6,981,797	12,621,772
Short term investments	6,847,497	1,535,553
Advances and prepayments	2,143,649	1,123,535
Bank balances	1,516,679	749,289
	25,275,646	36,224,173

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engage in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similar affected by the changes in economic, political or other conditions. The company believes that it is not exposed to major concentration of credit risk.

The allowance accounts in respect of trade receivables, loans and advances are used to record impairment losses unless the company is satisfied that no recovery of the amount owing is possible, at that point the amount considered irrecoverable is written off against the financial asset directly.

22.4.2. Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the avaibality of funding to an adequate amount of committed credit facilities and the ability to close out market position due to dynamic nature of the business. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the company's reputation.

The following are the contractual maturities of financial liabilities as at June 30, 2017

	As at June 30, 2017		
Financial liabilities	Carrying amount	Contractual cash flows	More than one year
Trade and other payables	920,713	920,713	-
	920,713	**920,713**	-

The following are the contractual maturities of financial liabilities as at June 30, 2016

	As at June 30, 2016		
Financial liabilities	Carrying amount	Contractual cash flows	More than one year
Trade and other payables	1,734,815	1,734,815	-
Short term borowings	-	-	
	1,734,815	**1,734,815**	-

The company is not materially exposed to liquidity risk as substantially all obligations, commitments of the company are of short term and routine in nature (Accrued expense) and are restricted to the extent of available liquidity except the long term unsecured interest free loan obtained from the directors redeemable at the option of the company. As a part of liquidity risk management policy company follows effective cash flow, planning, controlling and management procedures to ensure availability of funds through effective working capital management and to appropriate measures for new requirements.

22.4.3. Market risk

Market risk is the risk that changes in market prices, such as foreign exchangr rates, interest rates and equity prices will effect company's income or the value of its holding of financial instruments. The objective of the market risk management is to manage and control market exposures within acceptable parameters, while optimising the return on risk.

Foreign exchange risk management

Foreign exchange risk arises mainly where receivables and payables exists due to the transactions with foreign undertaken. Financial assets and financial liabilities of the company are not exposed to currency risk as a company has not entered into any transaction with any foreign undertakings.

Interest rate risk management

The company's income and operating cash flows are substantially independent of changes in market interest rates. The company has no significant long term interest bearing financial assets and liabilities whose fair value or cash flows will fluctuate because of the changes in market interest rates. As there is no interest bearing financial assets and liabilities, therefore disclosure requirement of effective rate of interest not attractive.

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other shareholders, and to maintain a strong capital base to support the sustained development of its businesses.

The company manage its capital structure by effective cash flow management to ensure availability of funds and by monitoring return on net assets and make adjustments thereto in the light of changes in economic conditions. Consistent with the others in the industry, the company manage its capital risk by monitoring its debt levels and liquid assets and keeping in view future requirements and expectations of the shareholders. Debt is calculating as total borrowings. Total capital comprises shareholders equity as shown in the balance sheet under share capital and reserves. In order to maintain or adjust the capital structure, the company may also adjust the amount of dividends paid to shareholders or issue new shares.

22.5. Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The company is not exposed to any price risk as there are no financial instrument at the reporting date that a sensitive to price fluctuations.

The carrying value of financial assets and liabilities reflected in the financial statements approximate to their fair value.

20. Related party transactions

The related parties comprise associated undertakings, directors of the company and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown appropriately in the financial statements.

24. Number of employees

	2017	2016
Total number of employees as at June 30	3	3
Average number of employees during the year	3	3

25. Detail of Securities as per CDC and as per back office record

As per Back Office Record	Own Account	Client Account	As per CDC Record	Own Account	Client Account
	No. of Shares			No. Of Shares	
				1,243,228	1,903,568
Securities Held	1,324,078	1,952,268			
			Securities Available	61,900	17,600
			Securities Pledged with PSX.	4,650	27,600
			Securities Pledged with Banks		
			Securities Freeze with CDC		
			Pre-Settlement Delivery		
			Reconciling Entries:	9,600	3,500
			1-Net Settlement Move in	4,700	
			2-Pledge release	-	-
				1,324,078	**1,952,268**
Total	1,324,078	1,952,268	Total		

26. Detail of Securities Pledged

	No. of Shares	Value
-Client Account		
-PSX	17,600	435,005
-BANKS	27,600	2,263,517
-House Account		
-PSX	66,600	2,251,558
-BANKS	4,650	370,294

27. Turnover for the period

	Quantity	Value
-Proprietry	30,988,288	1,142,590,049
-Clients	19,177,012	1,204,264,665
	50,165,300	**2,346,854,714**

28. Pattern of Shareholding

CATEGORIES OF SHAREHOLDERS	SHARE HOLDERS	SHARES HELD	PERCENTAGE
DIRECTORS AND THEIR SPOUSE(S) AND	14	5,750,000	100.00%
NAME:-			
Muhammad Ilyas Shafi		1,440,000	25.0435%
Muhammad Ashfaq Shafi		1,480,500	25.7478%
Muhammad Ishtiaq Shafi		374,000	6.5043%
Muhammad Altaf Shafi		1,405,000	24.4348%
Muhammad Ikhlaq Shafi		407,000	7.0783%
Samina Akhtar		209,500	3.6435%
Shazia Naz		76,000	1.3217%
Mrs. Afshan Altaf		76,000	1.3217%
Nabeela Ilyas		70,000	1.2174%
Riffat Zulfiqar		65,750	1.1435%
Iffat Shaheen		65,750	1.1435%
Mian M Yaqoob		40,000	0.6957%
Shahzadi Begum		40,000	0.6957%
Mian M Shaffi		500	0.0087%
Associated Companies, Undertakings and	NIL	NIL	NIL
Executives	NIL	NIL	NIL
Public Sector Companies and Corporations	NIL	NIL	NIL
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension	NIL	NIL	NIL
Others	NIL	NIL	NIL
Associated Companies, Undertakings and related Parties.	NIL	NIL	NIL
Total	**14**	**5,750,000**	**100.00%**

SHAREHOLDERS HOLDING 5% OR MORE.

NAME	SHARES HELD	PERCENTAGE
Muhammad Ilyas Shafi	1,440,000	25.0435%
Muhammad Ashfaq Shafi	1,480,500	25.7478%
Muhammad Ishtiaq Shafi	374,000	6.5043%
Muhammad Altaf Shafi	1,405,000	24.4348%
Muhammad Ikhlaq Shafi	407,000	7.0783%

29. Non-Adjusting Events after the Balance Sheet Date

After the year end the company and its clients have further incurred the loss of Rs. 4.44 Million on account of transactions conducted in MTS by the House and its clients which has not been adjusted in these financial statemnts as sane have accrued and arose after the date of Balance Sheet but before the approval of accounts.

30. Date of authorization for issue

These financial statements have been authorized for issue on October 05, 2017 by the Board of Directors of the company.

31. Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE	**DIRECTOR**