

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SHAFFI SECURITIES (PRIVATE) LIMITED** as at **JUNE 30, 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.

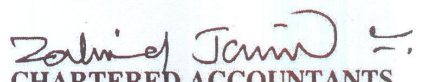
It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an 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 approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **JUNE 30, 2016** and of the loss, its comprehensive loss, cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance 1980.

We draw attention to the fact that comparative financial statements for the year ended June 30, 2015 were audited by another firm of Chartered Accountants who gave unqualified opinion.

FAISALABAD:
Date: September 30, 2016


CHARTERED ACCOUNTANTS
(Engagement Partner: **Muhammad Amin**)

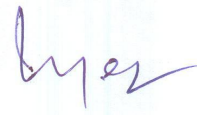
SHAFFI SECURITIES (PRIVATE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2016

| | | 2016 | 2015 | | 2016 | 2015 |
|--|------|---------------------|---------------------|-------------------------------------|------|-------------------|
| | NOTE | RUPEES | RUPEES | | NOTE | RUPEES |
| EQUITY AND LIABILITIES | | | | ASSETS | | |
| SHARE CAPITAL & RESERVES | | | | NON CURRENT ASSETS | | |
| Share capital | | | | Tangible | | |
| Authorized | | | | Property and equipment | | |
| 8,000,000 (2015: 8,000,000) Ordinary | | | | Operating fixed assets | 8 | 794,176 |
| shares of Rs. 10/- each. | | <u>80,000,000</u> | <u>80,000,000</u> | Intangible assets | 9 | <u>7,712,000</u> |
| | | | | | | 8,474,955 |
| Issued, subscribed and paid up capital | 4 | 57,500,000 | 57,500,000 | | | |
| Reserves | | | | Long term investments | 10 | 16,488,000 |
| Revenue | | | | Long term deposits | 11 | 3,706,024 |
| Accumulated loss | | <u>(17,551,146)</u> | <u>(16,388,711)</u> | | | |
| | | 39,948,854 | 41,111,289 | | | |
| NON CURRENT LIABILITIES | | | | CURRENT ASSETS | | |
| Long term financing | 5 | 3,631,000 | - | Trade debts | 12 | 12,621,772 |
| CURRENT LIABILITIES | | | | Short term investments | 13 | 1,535,553 |
| Trade & other payables | 6 | 1,734,815 | 5,871,157 | Advances and prepayments | 14 | 1,123,535 |
| Short term borrowings | | - | 1,200,000 | Tax refunds due from the Government | 15 | 514,664 |
| | | | | Cash and bank balances | 16 | 818,945 |
| | | 1,734,815 | 7,071,157 | | | 16,614,469 |
| CONTINGENCIES AND COMMITMENTS | | | | | | <u>19,513,467</u> |
| | 7 | - | - | | | <u>45,314,669</u> |
| | | <u>45,314,669</u> | <u>48,182,446</u> | | | <u>48,182,446</u> |

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



CHIEF EXECUTIVE




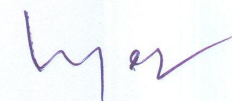
DIRECTOR

SHAFFI SECURITIES (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

| | NOTE | 2016 RUPEES | 2015 RUPEES |
|---------------------------------------|------|---------------------------|---------------------------|
| Revenue | | 2,209,123 | 1,924,944 |
| Operating and administrative expenses | 17 | (3,449,640) | (3,680,536) |
| Operating loss | | <u>(1,240,517)</u> | <u>(1,755,592)</u> |
| Finance cost | 18 | (35,173) | (20,603) |
| | | <u>(1,275,690)</u> | <u>(1,776,195)</u> |
| Other income | 19 | 186,059 | 568,590 |
| Loss before taxation | | <u>(1,089,631)</u> | <u>(1,207,605)</u> |
| Taxation | 20 | (136,736) | (75,796) |
| Net loss for the year | | <u><u>(1,226,367)</u></u> | <u><u>(1,283,401)</u></u> |
| | | | |
| Loss per share - Basic and diluted | 21 | <u><u>(0.21)</u></u> | <u><u>(0.22)</u></u> |

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CHIEF EXECUTIVE

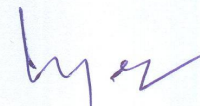

DIRECTOR

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

| | 2016 RUPEES | 2015 RUPEES |
|--|--------------------|--------------------|
| Net loss for the year | (1,226,367) | (1,283,401) |
| Other comprehensive income | | |
| Items that may be reclassified subsequently to profit and loss account | | |
| - Unrealized gain on remeasurement of short term investment | 63,931 | - |
| Total comprehensive loss for the year | <u>(1,162,435)</u> | <u>(1,283,401)</u> |

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


CHIEF EXECUTIVE


DIRECTOR

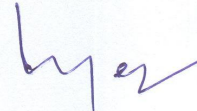
SHAFFI SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

| PARTICULARS | SHARE CAPITAL | REVENUE RESERVES | TOTAL |
|---------------------------------------|------------------|------------------|-------------|
| | | ACCUMULATED LOSS | |
| RUPEES | | | |
| BALANCES AS AT JULY 01, 2014 | 57,500,000 | (15,105,310) | 42,394,690 |
| Total comprehensive loss for the year | - | (1,283,401) | (1,283,401) |
| BALANCES AS AT JUNE 30, 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 |

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, 2016

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.

2. Basis of preparation

2.1. Statement of compliance

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 Standard (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provision of and directives issued under the Companies Ordinance 1984. In case requirement differ, the provision or directives of the Companies Ordinance, 1984, shall prevail.

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 beginning on or after) |
|---|--|
| IFRS 14 Regulatory Deferral Accounts | January 1, 2016 |
| IAS 1 Presentation of Financial Statements (Amendments) | January 1, 2016 |
| IAS 16 Property, Plant and Equipment (Amendments) | January 1, 2016 |
| IAS 19 Employee Benefits (Amendments) | January 1, 2016 |
| IAS 27 Separate Financial Statements (Amendments) | January 1, 2016 |
| IAS 28 Investment in Associates and Joint Ventures (Amendments) | January 1, 2016 |
| IAS 34 Interim Financial Reporting (Amendments) | January 1, 2016 |
| IAS 38 Intangible Assets (Amendments) | January 1, 2016 |
| IAS 41 Agriculture (Amendments) | January 1, 2016 |

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

| | |
|--|-----------------|
| IFRS 5 Non current Assets Held for Sale and Discontinued Operations (Amendments) | July 1, 2016 |
| IFRS 7 Financial Instruments: Disclosures (Amendments) | July 1, 2016 |
| IFRS 11 Joint Arrangements (Amendments) | January 1, 2017 |
| IFRS 15 Revenue from Contracts with Customers | January 1, 2018 |
| IFRS 16 Leases | January 1, 2019 |
| IAS 7 Statement of Cash Flows (Amendments) | January 1, 2017 |
| IAS 12 Income Taxes (Amendments) | January 1, 2017 |

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 | 2016 RUPEES | 2015 RUPEES |
|--|------|-------------------|-------------------|
| 4. Issued, subscribed and paid up capital | | | |
| 2,250,000 (2015: 2,250,000) Ordinary shares of Rs.10 each fully paid in cash | | 22,500,000 | 22,500,000 |
| 3,500,000 (2015: 3,500,000) Ordinary shares of Rs.10 each issued against consideration other than cash | | 35,000,000 | 35,000,000 |
| | | <u>57,500,000</u> | <u>57,500,000</u> |

5. Long term financing

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

5.1. It would not be demanded within next twelve months from the balance sheet date.

6. Trade & other payables

| | | |
|---------------------|------------------|------------------|
| Creditors | 1,044,744 | 1,200,072 |
| Accrued liabilities | 690,071 | 618,480 |
| Other payables | - | 4,052,605 |
| | <u>1,734,815</u> | <u>5,871,157</u> |

7. Contingencies and commitments

7.1 There is a difference in revenue as per sales tax record and actual revenue as per invoices. The sales tax returns need to be revised as per actual sales during the year. Absence of this revision in sales tax returns may attract penal action and default surcharge against the company (2015: Nil)

8. Operating fixed assets

| -----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 | TOTAL AS AT 01-07-15 | FOR THE YEAR | TOTAL AS AT 30-06-16 | | |
| 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 | |
| -----2015----- | | | | | | | | |
| PARTICULARS | COST | | | ACCUMULATED DEPRECIATION | | | NET CARRYING VALUE AS AT 30-06-15 | RATE % |
| | TOTAL AS AT 01-07-14 | ADDITIONS / (DELETIONS) | TOTAL AS AT 30-06-15 | TOTAL AS AT 01-07-14 | FOR THE YEAR | TOTAL AS AT 30-06-15 | | |
| Furniture and fixtures | 350,430 | - | 350,430 | 280,257 | 7,017 | 287,274 | 63,156 | 10 |
| Office equipment | 3,069,274 | 23,550 | 3,092,824 | 2,324,667 | 76,816 | 2,401,483 | 691,341 | 10 |
| Vehicles | 223,000 | - | 223,000 | 212,428 | 2,114 | 214,542 | 8,458 | 20 |
| RUPEES 2015 | 3,642,704 | 23,550 | 3,666,254 | 2,817,352 | 85,947 | 2,903,299 | 762,955 | |

9. Intangible assets

| | 2016 | | | |
|--|---|------------------|-----------------------|------------------|
| | 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 | - | - | - | - |
| Net book value at the end of the year | 3,612,000 | 3,100,000 | 1,000,000 | 7,712,000 |

| | 2015 | | | |
|--|---------------------------------------|------------------|-----------------------|------------------|
| | 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 | 2016 RUPEES | 2015 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 | 1,692,000 |
| | | <u>3,612,000</u> | <u>3,612,000</u> |

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 TREC 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-3361 dated May 27, 2016 the Break up Value being used for determining the Base Minimum Capital for LSE shares is Rs. 17.26 based on accounts of 31 December 2015. LSE financial services has further provided bank guarantee 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 | 2016 RUPEES | 2015 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 | 12,408,000 |
| | | <u>16,488,000</u> | <u>16,488,000</u> |
| 11. Long term deposits | | | |
| Trading floors | | 1,206,024 | 1,206,024 |
| Building deposits with PMEX | | 2,500,000 | 2,500,000 |
| | | <u>3,706,024</u> | <u>3,706,024</u> |
| 12. Trade debts | | | |
| Considered good | | | |
| Un-secured | | | |
| Local | | 12,621,772 | 16,358,970 |
| | | <u>12,621,772</u> | <u>16,358,970</u> |
| 13. Short term investments | | | |
| Held for trading | | | |
| Listed securities | | 1,535,553 | - |
| | | <u>1,535,553</u> | <u>-</u> |
| | | Market Values | |
| Silk Bank Limited - 172,240 (2015 - Nil) Shares | | 292,808 | - |
| Lotte Chemical Pakistan Limited - 28,000 (2015 - Nil) Shares | | 168,280 | - |
| The Bank of Punjab - 16,500 (2015 - Nil) Shares | | 132,660 | - |
| Japan Power Generation Limited - 13,000 (2015 - Nil) Shares | | 51,870 | - |
| Oil & Gas Development Company - 400 (2015 - Nil) Shares | | 55,228 | - |
| Frontier Ceramics Limited - 3,000 (2015 - Nil) Shares | | 20,040 | - |
| Dewan Cement Limited - 5,000 (2015 - Nil) Shares | | 72,400 | - |
| Bank Alfalah Limited - 2,288 (2015 - Nil) Shares | | 47,583 | - |
| NIB Bank Limited - 50,000 (2015 - Nil) Shares | | 95,500 | - |
| Fauji Cement Company Limited - 1,000 (2015 - Nil) Shares | | 35,800 | - |
| PACE Pakistan Limited - 7,090 (2015 - Nil) Shares | | 44,313 | - |
| Other Marketable Securities - 301,276 (2015 - Nil) Shares | | 519,071 | - |
| | | <u>1,535,553</u> | <u>-</u> |
| | | Carrying Values | |
| Silk Bank Limited - 172,240 (2015 - Nil) Shares | | 289,363 | - |
| Lotte Chemical Pakistan Limited - 28,000 (2015 - Nil) Shares | | 162,960 | - |
| The Bank of Punjab - 16,500 (2015 - Nil) Shares | | 116,309 | - |
| Japan Power Generation Limited - 13,000 (2015 - Nil) Shares | | 70,330 | - |
| Oil & Gas Development Company - 400 (2015 - Nil) Shares | | 56,280 | - |
| Frontier Ceramics Limited - 3,000 (2015 - Nil) Shares | | 21,000 | - |
| Dewan Cement Limited - 5,000 (2015 - Nil) Shares | | 80,750 | - |
| Bank Alfalah Limited - 2,288 (2015 - Nil) Shares | | 58,504 | - |
| NIB Bank Limited - 50,000 (2015 - Nil) Shares | | 85,000 | - |
| Fauji Cement Company Limited - 1,000 (2015 - Nil) Shares | | 28,366 | - |
| PACE Pakistan Limited - 7,090 (2015 - Nil) Shares | | 46,284 | - |
| Other Marketable Securities - 301,276 (2015 - Nil) Shares | | 456,476 | - |
| | | <u>1,471,622</u> | <u>-</u> |
| | | <u>63,931</u> | <u>-</u> |
| Surplus on remeasurement to fair value-net | | | |

| | NOTE | 2016 RUPEES | 2015 RUPEES |
|--|------|------------------|------------------|
| 14. Advances and prepayments | | | |
| Exposure draft | | 700,000 | 700,000 |
| Advances to NCCPL | | 423,535 | - |
| | | <u>1,123,535</u> | <u>700,000</u> |
| 15. Tax refunds due from the Government | | | |
| Income tax | | <u>514,664</u> | <u>441,824</u> |
| 16. Cash and bank balances | | | |
| Cash in hand | | 69,656 | 767,968 |
| Cash at bank | | 749,289 | 1,244,705 |
| Current accounts | | <u>818,945</u> | <u>2,012,673</u> |
| 17. Operating and administrative expenses | | | |
| Directors' remuneration | 17.1 | 972,000 | 972,000 |
| Staff salaries and benefits | | 654,000 | 786,000 |
| Rent, rates and taxes | | 178,696 | 253,169 |
| CDC and NCCPL charges | | 203,280 | 199,272 |
| Printing and stationery | | 65,941 | 58,455 |
| Postage and telegram | | 19,249 | 13,185 |
| Telephone expenses | | 222,323 | 272,749 |
| Electricity expenses | | 533,601 | 502,581 |
| Entertainment | | 50,056 | 70,695 |
| Computer expenses | | 78,380 | 44,935 |
| Fee and subscription | | 161,650 | 263,074 |
| Newspaper and periodicals | | 8,358 | 15,948 |
| Audit fee | | 75,000 | 75,000 |
| Depreciation | 8 | 81,129 | 85,947 |
| PSX charges | | 24,043 | 499 |
| Miscellaneous | | 121,934 | 67,028 |
| | | <u>3,449,640</u> | <u>3,680,536</u> |

17.1. Directors' remuneration

| | 2016 | | | 2015 | | |
|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | CEO | Director | Total | CEO | Director | 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 |
| | <u>324,000</u> | <u>648,000</u> | <u>972,000</u> | <u>324,000</u> | <u>648,000</u> | <u>972,000</u> |

18. Finance cost

| | | |
|--------------|---------------|---------------|
| Bank charges | 18,398 | 20,603 |
| Bank markup | 16,775 | - |
| | <u>35,173</u> | <u>20,603</u> |

| | NOTE | 2016 RUPEES | 2015 RUPEES |
|--------------------------------|------|----------------|----------------|
| 19. Other income | | | |
| Dividend income | | 1,092,897 | 565,462 |
| Capital loss on sale of shares | | (906,838) | - |
| IPO commission | | - | 3,128 |
| | | <u>186,059</u> | <u>568,590</u> |
| 20. Taxation | | | |
| Current | 20.1 | <u>136,736</u> | <u>75,796</u> |

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

| | 2016 | 2015 |
|---|------------------|------------------|
| 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) | (1,226,367) | (1,283,401) |
| Weighted average number of ordinary shares | <u>5,750,000</u> | <u>5,750,000</u> |
| Loss per share | <u>(0.21)</u> | <u>(0.22)</u> |

22. Financial instruments and related disclosure

22.1 Risk management framework

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

| | June 30, 2016 | | June 30, 2015 | |
|-------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | RUPEES | | | |
| | Maturity up to one year | Maturity after one year | Maturity up to one year | Maturity after one year |
| Financial Assets | | | | |
| Long term Investments | - | 16,488,000 | - | 16,488,000 |
| Long term deposits | - | 3,706,024 | - | 3,706,024 |
| Trade debts | 12,621,772 | - | 16,358,970 | - |
| Short term investments | 1,535,553 | - | - | - |
| Advances and prepayments | 1,123,535 | - | 700,000 | - |
| Tax refunds due from the Government | 514,664 | - | 441,824 | - |
| Cash and bank balances | 818,945 | - | 2,012,673 | - |
| | <u>16,614,469</u> | <u>20,194,024</u> | <u>19,513,467</u> | <u>20,194,024</u> |
| Financial liabilities | | | | |
| Trade & other payables | 1,734,815 | - | 5,871,157 | - |
| Short term borrowings | - | - | 1,200,000 | - |
| | <u>1,734,815</u> | <u>-</u> | <u>7,071,157</u> | <u>-</u> |

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 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 :

| | 2016 Rupees | 2015 Rupees |
|--------------------------|----------------|----------------|
| Long term investments | 16,488,000 | 16,488,000 |
| Long term deposits | 3,706,024 | 3,706,024 |
| Trade debts | 12,621,772 | 16,358,970 |
| Short term investments | 1,535,553 | - |
| Advances and prepayments | 1,123,535 | 700,000 |
| Bank balances | 749,289 | 1,244,705 |
| | 36,224,173 | 38,497,699 |

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 availability 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, 2016

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

The following are the contractual maturities of financial liabilities as at June 30, 2015

| Financial liabilities | As at June 30, 2015 | | |
|--------------------------|---------------------|------------------------|--------------------|
| | Carrying amount | Contractual cash flows | More than one year |
| Trade and other payables | 5,871,157 | 5,871,157 | - |
| Short term borrowings | 1,200,000 | 1,200,000 | - |
| | 7,071,157 | 7,071,157 | - |

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 exchange 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.

Fair value of financial assets and financial liabilities

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

23. Transactions with related parties

The company has carried out no transactions with related parties during the year other than those which have been disclosed in the relevant notes.

24. Number of employees

Total number of employees as at June 30

Average number of employees during the year

| | 2016 | 2015 |
|--|------|------|
| | 3 | 5 |
| | 3 | 5 |

25. GENERAL

25.1. Nomenclature of the following accounts has been changed for better presentation :

| Current | Previous |
|--|--|
| Ordinary shares of Rs.10 each issued against consideration other than cash | Ordinary shares of Rs.10 each issued against director's loan |
| Trade debts | Trade debts - unsecured and considered good |
| Advances and prepayments | Advances, prepayments and other receivables |
| Revenue | Commission income |
| Operating and administrative expenses | Administrative expenses |
| Other income | Other operating income |
| Net loss for the year | Loss after taxation |
| Audit fee | Auditor's remuneration |
| Miscellaneous expenses | Miscellaneous charges |
| Staff salaries and benefits | Salaries and other benefits |
| Rooms at PSX | Rooms at LSE |
| Pakistan Stock Exchange Limited | Lahore Stock Exchange Limited |
| Accrued liabilities | Accrued expenses |
| Bank Mark up | Mark up expenses |

25.2. Following major reclassifications have been made in these financial statements:

| Account head | Previous | Current |
|---|--|--|
| Non - current liabilities (Rs. 1,200,000/-) | Short term borrowings | Long term financing |
| Tax refunds due from the Government (Rs. 441,824/-) | Advances, prepayments and other receivables | Separate line item |
| CDC and NCCPL charges (Rs. 199,272/-) | Operating expenses -Separate line item | Operating and administrative expenses -CDC and NCCPL charges |
| L.S.E - IPF service charges etc (Rs. 499/-) | Operating expenses -Separate line item | Operating and administrative expenses -PSX charges |
| Depreciation (Rs.85,947/-) | Profit and loss account -Separate line item | Operating and administrative expenses -Separate line item |

26. Date of authorization for issue

These financial statements have been authorized for issue on September 30, 2016 by the Board of Directors of the company.

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


CHIEF EXECUTIVE


DIRECTOR