Parker Randall International

Parker Randall-A.J.S.

CHARTERED ACCOUNTANTS

Auditors' Report to the Members

We have audited the annexed balance sheet of **DARSON SECURITIES (PRIVATE) LIMITED** ("the Company") 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 financial 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 account 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 profit, total comprehensive income, its 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 (XVIII of 1980).

The financial statements of company for the year ended June 30, 2015 were audited by M/s ARSHAD & Co Chartered accountants whose report dated August 07, 2015 expressed an unqualified opinion.

PARKER RANDALL A.J.S. Chartered Accountants

Parker Randall AJS

Parker Randall – A.J.S

Chartered Accountants

Lahore:

September 29, 2016

SECURITIES (PRIVATE) LIMITED
CE SHEET
T JUNE 30, 2016

	Note	2016 RUPEES	2015 RUPEES
NON-CURRENT ASSETS			
Property and equipment	4	45,060,068	46,157,542
Intangible assets	5	18,000,000	21,019,900
Long-term investments	6	20,636,040	20,636,040
		83,696,108	87,813,482
CURRENT ASSETS			
Trade receivable - considered good		126,178,399	211,804,135
Short term deposits		12,399,669	23,449,598
Short term investments	7	77,034,149	99,142,022
Advances	8	15,888,357	12,663,283
Cash and bank balances	9	82,376,551	77,997,501
		313,877,125	425,056,639
TOTAL ASSETS		397,573,233	512,870,121
EQUITY AND LIABILITIES			
Authorized Share Capital			
500,000,000 (2015: 200,000,000) ordinary shares of Rupees 100 each		500,000,000	200,000,000
Issued, subscribed and paid up share capital			
2,000,000 (2015: 2,000,000) ordinary shares of Rupees 100 each fully paid in cash		200,000,000	200,000,000
Accumulated profit		77,013,136	58,478,134
		277,013,136	258,478,134
CURRENT LIABILITIES			
Trade and other payables	10	53,560,097	54,391,987
Short term loan	11	67,000,000	200,000,000
		120,560,097	254,391,987
CONTINGENCIES AND COMMITMENTS	12	-	-
TOTAL EQUITY & LIABILITIES		397,573,233	512,870,121

The annexed notes from 1 to 24 form an integral part of these financial statements.

M/s. Dawson Securities (Pvt) Ltd. 090

CHIEF EXECUTIVE

DIRECTOR

CURITIES (PRIVATE) LIMITED
ND LOSS ACCOUNT
HE YEAR ENDED JUNE 30, 2016

	Note	2016 RUPEES	.01 RUPEES
Brokerage income	13	28,731,279	22,234 090
(Loss) / gain on re-measurement of investments through profit or loss	7.1	(322,097)	5 007,694
Gain on disposal of investments - net		11,399,929	12,545,485
		39,809,111	40,888,265
Less:			
Operating and administrative expenses	14	36,793,616	28 [illegible] 844
Finance cost	15	40,725	60,561
		36,834,341	28,372,405
Profit from operations		2,974,770	12,515,964
Other income	16	18,725,538	4,192,565
Profit before taxation		21,700,308	16 708 529
Taxation		3,165,306	1 572 144
Profit after taxation		18,535,002	15,136,385
Earning per share - basic - diluted	17	9.27	7.57

The annexed notes from 1 to 24 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

N SECURITIES (PRIVATE) LIMITED
EMENT OF COMPRIHENSIVE INCOME
R THE YEAR ENDED JUNE 30, 2016

	Note	2016 RUPEES	2015 RUPEES
Profit after taxation		18,535,002	15,136,385
Other comprehensive income			
Total comprehensive income for the year		18,535,002	15,136,385

The annexed notes from 1 to 24 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

ECURITIES (PRIVATE) LIMITED
ENT OF CHANGES IN EQUITY
HE YEAR ENDED JUNE 30, 2016

	----RUPEES----		
TICULARS	Share Capital	Un-appropriated profit / (Loss)	TOTAL
ance as on July 01, 2014	200,000,000	43,341,749	243,341,749
al comprehensive income for the year	-	15,136,385	15,136,385
ance as on June 30, 2015	200,000,000	58,478,134	258,478,134
ance as on July 01, 2015	200,000,000	58,478,134	258,478,134
tal comprehensive income for the year	-	18,535,002	18,535,002
nce as on June 30, 2016	200,000,000	77,013,136	277,013,136

CHIEF EXECUTIVE

DIRECTOR

RITIES (PRIVATE) LIMITED
STATEMENT
EAR ENDED JUNE 30, 2016

	Note	2016 RUPEES	2015 RUPEES
rofit/(Loss) before taxation		21,700,308	16,708,529
djustment for:			
epreciation		1,097,474	1,313,010
npairment loss		3,019,900	
inance cost		40,725	60,561
nrealized capital gain/(loss)		322,097	(5,007,694)
ash flow from operating activities before changes in working capital		26,180,504	13,074,406
ncrease)/decrease in current assets			
rade receivables		85,625,736	57,208,732
hort term deposits		11,050,029	(5,651,077)
hort term investments		21,785,776	(3,384,147)
dvances		(3,226,074)	19,835,085
ncrease/(decrease) in current liabilities			
rade and other payable		(831,890)	(49,144,092)
Cash generated from operations		140,585,081	31,938,908
Financial charges paid		(40,725)	(282,876)
ncome tax paid		(3,165,305)	(6,135,925)
Net cash generated from operating activities		137,379,051	25,520,107
Cash flows from Financing Activities			
Repayment of loan		(133,000,000)	
Net cash used in financing activities		(133,000,000)	
Increase/ (Decrease) in cash and cash equivalents		4,379,051	25,520,107
Cash and cash equivalents at the beginning of the year		77,997,501	52,477,394
Cash and cash equivalents at the end of the year	9	82,376,552	77,997,501

The annexed notes from 1 to 24 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

Note

1 STATUS AND NATURE OF BUSINESS

The company was incorporated in Pakistan, as a private limited company on March 11, 2003. The company is a TREC Holder of Pakistan Stock Exchange Limited. The principal activity of the company is to carry on the business of trading and brokerage in stocks and securities. The company has also acquired the membership of the National Commodity Exchange Limited.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with requirements of the Companies Ordinance, 1984 (the Ordinance) directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance, or the directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or of the said directives have been followed.

2.2 Basis of Measurement

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

2.4 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).

2.5 New standards and amendments/interpretations to existing standards that are effective in the current year

During the year certain amendments, revisions, improvements to approved accounting standards and interpretations 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;

IFRS 10 - "Consolidated Financial Statements " outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee.

IFRS 11 - "Joint Arrangements" outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractually agreed sharing of control and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly).

IFRS 12 - "Disclosure of Interests in Other Entities" is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Disclosures are presented as a series of objectives, with detailed guidance on satisfying those objectives.

IFRS 13 - "Fair value measurement" establishes a single framework for measuring fair value and enhances or replaces the disclosures about fair value measurement. Further, it unifies the definition of fair values as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

2.6 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard, amendment or interpretation	Effective Date (Annual periods beginning on or after)
IFRS 5 - Non-current assets held for sale and discontinued operations - Annual improvements to IFRSs	January 01, 2018

IFRS 7 - Financial Instruments: Disclosures - Annual Improvements to IFRSs	January 01, 2016
IFRS 10 - Consolidated Financial Statements and IAS 28 - Investment in Associates and Joint Ventures - Sale or contribution of Assets between an investor and its Associate or Joint Venture	January 01, 2016
IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 27 - Separate Financial Statements - Investment Entities: Applying the Consolidation Exception	January 01, 2016
IFRS 11 - Joint Arrangements - Accounting for Acquisition of interest in Joint Operation	January 01, 2016
IAS 7 - Statement of Cash Flows - Disclosure initiative	January 01, 2017
IAS 12 - Income Taxes - Recognition of deferred tax assets for unrealized losses	January 01, 2017
IAS 1 - Presentation of Financial Statements - Disclosure Initiative	January 01, 2016
IAS 16 - Property, Plant & Equipment and IAS 38 - Intangible assets- Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 16 - Property, Plant & Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants	January 01, 2016
IAS 19 - Employee Benefits - Annual Improvements to IFRSs	January 01, 2016
IAS 27 - Separate Financial statements - Equity Method in Separate Financial Statements	January 01, 2016
IAS 34 - Interim Financial Reporting - Annual Improvements to IFRSs	January 01, 2016

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

2.7 <u>New standards that have been issued by IASB, but have not yet been notified by the SECP for the purpose of applicability in Pakistan.</u>

Standards	
IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 15 - Revenue with contracts with customers	01 January 2018
IFRS 16 - Leases	01 January 2019

2.8 <u>Use of Estimates & Judgments</u>

The preparation of financial statements in conformity with International Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Significant areas requiring the use of management estimates in the financial statements relates to provision for doubtful balances, provision for income taxes, useful life and residual values of property plant and equipment etc. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustments to the carrying amounts of assets and liabilities in next year.

...mates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the ... in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. ...gments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in respective policy notes.

3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

3.01 **Tangible Fixed Assets- Property, Plant and Equipment & Depreciation**

Owned

Property, plant & 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 days the asset remains in use of the company. Assets residual values, useful life 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, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in profit and loss account.

Leased

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Outstanding obligations under the lease less finance cost allocated to future periods are shown as a liability.

Finance cost under lease agreements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Leased assets are depreciated over the period shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Depreciation is charged to profit and loss account using reducing balance method at the rates specified in note 4.

3.02 **Intangible assets**

These include membership cards, trading rights entitlement certificates and rooms.

a) Finite useful life

These are measured on initial recognition at cost. Following initial recognition these are carried at cost less accumulated amortization and accumulated impairment losses, 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. Intangible assets are amortized using the reducing balance method over their useful life.

b) Infinite useful life

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.

3.03 **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. The cost of investments acquired in exchange transaction is measured at the carrying value of the asset with which it has been exchanged.

a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value plus directly attributable transaction costs. After initial measurement loans and receivables are subsequently measured at amortized cost using effective interest rate method less impairment, if any. These are classified as current and non-current assets in accordance with criteria set out by the IFRS.

[illegible] for sale - unquoted at cost

[illegible] are initially recognized at cost. Due to non availability of an active market these are [illegible] stated at cost.

[illegible]vestment at fair value through profit or loss

Investment which are acquired principally for the purpose of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern for short term profit taking are classified under this category. After initial recognition these are measured at fair value. Gain or losses on re-measurement of these investments are recognized in the profit and loss account [illegible]

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

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

3.06 **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.

3.07 **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.

3.08 **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.

3.09 **Trade & 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.

3.10 **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 bases 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.

3.11 **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 Assets**

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.

PROPERTY AND EQUIPMENT

	Lease Hold Office	Furniture and Fixture	Office equipments	Computer equipments	Vehicles	Total
			Rupees			
As at June 30, 2014						
Cost	38,552,165	5,796,214	3,093,923	4,234,000	11,707,832	63,384,134
Accumulated depreciation	-	3,702,720	1,923,985	2,791,755	7,496,122	15,913,582
Net book value	38,552,165	2,093,494	1,169,938	1,442,245	4,211,710	47,470,552
Year ended 30 June 2015						
Opening net book value	38,552,165	2,093,494	1,169,938	1,442,245	4,211,710	47,470,552
Additions during the year	-	-	-	-	-	-
Disposals/transfer/write-off						
Cost	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Net book value	-	-	-	-	-	-
Depreciation for the year	-	209,349	116,994	144,325	842,342	1,313,010
Closing net book value	38,552,165	1,884,145	1,052,944	1,298,921	3,369,368	46,157,542
As at June 30, 2015						
Cost	38,552,165	5,796,214	3,093,923	4,234,000	11,707,832	63,384,134
Accumulated depreciation	-	3,912,069	2,040,979	2,935,080	8,338,484	17,226,592
Net book value	38,552,165	1,884,145	1,052,944	1,298,921	3,369,368	46,157,542
Year ended June 30, 2016						
Opening net book value	38,552,165	1,884,145	1,052,944	1,298,921	3,369,368	46,157,542
Additions during the year	-	-	-	-	-	-
Disposals/transfer/write-off						
Cost	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Net book value	-	-	-	-	-	-
Depreciation for the year	-	188,414	105,294	129,892	673,874	1,097,475
Closing net book value	38,552,165	1,695,730	947,650	1,169,028	2,695,494	45,060,068
As at June 30, 2016						
Cost	38,552,165	5,796,214	3,093,923	4,234,000	11,707,832	63,384,134
Accumulated depreciation	-	4,100,484	2,146,273	3,064,972	9,012,338	18,324,066
Net book value	38,552,165	1,695,730	947,650	1,169,028	2,695,494	45,060,068
Annual rate of depreciation	0%	10%	10%	10%	20%	

[illegible]end & Appropriation to reserves

[illegible]vidend distribution to the Company's shareholders and appropriation to reserves is recognized in the financial 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

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 Share Capital

Ordinary shares are classified as equity and recognized at their fair value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from the proceeds.

3.16 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.

3.17 Off Setting of Financial Assets and Financial Liabilities

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.

5 INTANGIBLE ASSETS		2016 RUPEES	2015 RUPEES
Trading Right Entitlement Certificate		8,019,500	8,019,500
Cost		(3,019,500)	
Impairment	5.1	5,000,000	8,019,500
		1,000,000	1,000,000
Membership of PMEX		6,000,000	9,019,500
		12,000,000	12,000,000
Rooms		18,000,000	21,019,500

5.1 Trading Right Entitlement Certificate		
Cost	8,019,500	8,019,500
Impairment	(3,019,500)	
	5,000,000	8,019,500

Pursuant to the promulgation of the stock exchange (corporatisation, demutualization and integration) Act, 2012 (The Act) the ownership in a stock exchange segregated from the right to trade on the exchange. Accordingly the company has received equity shares of PSX and a Trading Right Entitlement Certificates (TRECs) in lieu of its membership card of PSX. Pakistan Stock Exchange Limited has determined value of Pakistan Stock Exchange Limited Trading Right Entitlement Certificates for base minimum capital purpose amounting to Rs 5 million.

6 LONG TERM INVESTMENTS		2016 RUPEES	2015 RUPEES
4,007,383 number of shares in Pakistan Stock Exchange Limited	Refer to note 6.1	16,790,000	16,790,000
843,975 number shares in LSE Financial Services Limited	Refer to note 6.2	3,846,040	3,846,040
		20,636,040	20,636,040

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Stock Exchange Limited
1,602,953 unblocked shares (refer note 5.1)
2,404,430 blocked shares (refer note 5.1)

This represents shares of Pakistan Stock Exchange Limited (PSXL) formerly Karachi Stock Exchange Limited (KSEL) acquired in pursuance of corporatization and demutualization of PSX as a public company limited by shares. As per the arrangements the authorized and paid up capital of PSX is Rs. 10,000,000,000 and Rs. 8,014,766,030 respectively with a par value of Rs. 10/- each. The paid up capital of PSXL is equally distributed among 200 members of PSXL by issuance of 4,007,383 shares to each member in the following manner

1. 40% of the total shares allotted (i.e. 1,602,953 shares) are transferred in the House Account [illegible] CDC of each initial shareholder.

2. 60% of the total shares (i.e. 2,404,430 shares) have been deposited in a sub account in Company's name under PSX's participant [illegible] with CDC which will remain block until they are divested to strategic investor(s), general public and financial institutions.

Right to receive distributions and sale proceed against 60% shares in the blocked account shall vest in the initial shareholder, provided that bonus and right shares (if any) shall be transferred to blocked account disposed off with the [illegible] shares.

Right to vote against blocked shares shall be suspended till the time of sale. The shares of PSXL shall be listed within such time as the SECP may prescribe in consultation with the Board of Directors of PSXL.

In the absence of an active market of the shares of PSX and TREC, the allocation of the carrying value of the membership card of Rs. 23 million between the shares (financial asset) and TREC (an intangible asset) has been made by the company on the basis of [illegible] between TREC and shares of PSXL in the base minimum capital requirement.

Pakistan Stock Exchange Limited has determined value of Pakistan Stock Exchange Limited shares for base minimum capital purpose amounting to Rs. 10.042 (2015: 13.05) per share.

6.2 LSE Financial Services Limited
337,590 unblocked shares (refer note 5.1)
506,385 blocked shares (refer note 5.1)

This represents unquoted shares of Stock Exchanges received by the Company in pursuance of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012.
The total number of shares received by the Company were 843,975 shares of LSE Financial Services Limited (formerly LSEL) with a face value of RS 10 each.
Out of total number of shares owned, 60% shares of the said entities are held in separate CDC blocked Account, to restrict the sale of these shares by the members.
Whereas stock exchanges will dispose of these shares under the Demutualization Act, however the proceeds of these shares and right to dividend/bonus is vested with the Company whereas the voting rights attached to these shares are suspended.

During the period, a memorandum of under standing was signed between Karachi stock exchange (KSE), the Lahore stock exchange (LSE) and the Islamabad stock exchange (ISE) for integration of all three stock exchanges in Pakistan as envisaged in the stock exchanges (Corporatization, Demutualization) Act 2012 (XV of 2012) vide SECP's order 01/2016 dated January 11, 2016. As a consequence of the integration scheme, the business model of ISE and LSE have been changed and they have obtained the license to operate as NBFC as per NBFC rules and KSE would carry the same business as Stock Exchange under the name of Pakistan Stock Exchange Limited.

The net asset value of shares of LSE financial service limited is Rs. 17.85 per share based on un-audited financial statements as at March 31, 2016.

		2016 RUPEES	2015 RUPEES
7	**SHORT TERM INVESTMENTS**		
	Financial assets at fair value through profit or loss- held for trading		
	Investment in quoted equity securities		
	Shares of listed companies - at fair value	77,034,149	99,142,022
7.1	(Loss)/ Gain on remeasurement of investment at fair value through profit & loss - held for trading		
	Market value	77,034,149	99,142,022
	Cost of the investment	77,356,246	94,134,328
		(322,097)	5,007,694

		2016 RUPEES	2015 RUPEES
8	**ADVANCES**		
	Advance Income Tax - net	15,858,357	[illegible]

[illegible] CASH AND BANK BALANCES

Cash in hand	91,958	[illegible]
Cash at bank - Current Accounts	62,284,593	[illegible]
	62,376,551	[illegible]

10 TRADE AND OTHER PAYABLES

Trade Creditors	51,878,728	53,371,340
Accrued Expenses	1,681,369	1,020,517
	53,560,097	54,391,857

11 SHORT TERM LOAN

Loan from Sponsors (Unsecured and interest free)	57,000,000	[illegible]

12 CONTINGENCIES AND COMMITMENTS

There is no contingencies and commitments at the balance sheet date

13 BROKERAGE INCOME

Total commission	33,438,624	27,355,823
F.E.D on brokerage	(4,707,345)	(4,121,732)
Net brokerage income	28,731,279	23,234,040

14 OPERATING & ADMINISTRATIVE EXPENSES

Salaries and other benefits		9,648,000	9,500,845
CDC and NCCPL charges		4,191,031	2,434,357
Commission expenses		3,959,140	
Utility expenses		3,563,227	3,527,955
L.S.E & K.S.E Charges		1,844,654	2,243,353
Depreciation		1,087,473	[illegible]
Computer expenses		1,474,325	1,858,592
Legal and professional charges		1,431,119	232,701
Entertainment		1,423,888	1,444,025
Donation	14.1	1,300,000	
Impairment loss	14.2	3,019,900	
Repair and maintenance		1,374,751	987,196
Printing and stationery		822,295	343,043
Vehicle Running and Maintenance		726,925	1,084,320
Communication and postage		577,741	307,040
Traveling and conveyance		313,805	154,969
Miscellaneous charges		66,510	152,205
Auditors' remuneration		250,000	100,000
Newspapers and periodicals		19,507	25,104
Advertisement		-	572,500
		36,753,816	25,311,[illegible]

14.1 None of the directors and their spouses have any interest in donee's fund to which donations are made.

14.2 Impairment loss represent decrease in value of TREC amounting to Rs. 3,019,900/-. These were Carried at cost previously amounting to Rs. 8,019,900/- Now Pakistan Stock Exchange (PSX) has currently valued TREC at Rs. 5 [illegible] million resulting in this impairment loss.

		2016	2015
		RUPEES	RUPEES

15 FINANCE COST

Bank charges	46,725	60,5[illegible]
	46,725	60,5[illegible]

16 OTHER INCOME

Market making fee	13,511,487	
Dividend income	5,214,051	4,192,655
	18,725,538	4,192,655

AND DILUTED EARNINGS PER SHARE

re is no dilutive effect on the basic earning per share of the company, which is based on

ofit after taxation	18,535,802	[illegible]
Weighted average number of Ordinary shares	2,000,000	2,000,000
arnings per share (Rupees)	9.27	7.57

18 EMUNERATION OF CHIEF EXECUTIVE & DIRECTORS

he aggregate amount charged in the accounts during the year for remuneration including benefits to Executives is as follows:

	30-Jun-16		30-Jun-15	
	Chief Executive	Directors	Chief Executive	Directors
emuneration				
umber of Persons	1	2	1	2

19 ELATED PARTY DISCLOSURES

elated parties comprise entities with common directorship or under influence, directors and key management personnel. Details of ransactions with related parties during the year have specifically been disclosed elsewhere in these financial statements, where applicable.

20 INANCIAL RISK MANAGEMENT

20.1 Risk management framework

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

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's isk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls nd to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

20.2 inancial assets and liabilities by category and their respective maturities

	30-Jun-16		30-Jun-15	
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year
	---Rupees---			
inancial Asset				
Long-term investments		20,530,040		20,530,040
rade receivable - considered good	125,178,399	-	211,604,135	-
Short term deposits	12,359,669	-	23,440,005	-
Short term investments	77,034,149	-	99,142,022	-
dvances	16,085,357	-	12,683,283	-
ash and bank balances	82,379,551		77,097,501	
	313,577,125	20,530,040	426,553,036	20,530,040
	---Rupees---			
nancial Liability				
ade and other payables	53,560,097		54,391,557	
ort term loan	67,030,000		200,000,000	
	53,560,097	-	254,391,557	

[illegible]alues

[illegible] carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset [illegible]d be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If the transaction is not [illegible]d on market terms, or if a market price cannot be readily determined, then an estimate of future cash payments or receipts discounted [illegible]g the current market interest rate for a similar financial instrument is used to approximate the fair value except for loan from director [illegible]h is stated at cost.

20.4 [illegible]ncial Risk Factors

[illegible] Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest/mark-up rate risk and p[illegible] risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize p[illegible]tial adverse effects on the financial performance. Overall, risks arising from the company's financial assets and liabilities are limited. [illegible] Company consistently manages its exposure to financial risk without any material change from previous periods in the manner d[illegible]ribed in notes below. The Board of Directors has overall responsibility for the establishment and oversight of Company's risk m[illegible]agement framework. All treasury related transactions are carried out within the parameters of these policies.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the company's performance to developments affecting a particular industry.

Exposure to credit risk

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, short term loans, deposits receivable against sale of securities and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery. The Company's management, as part of risk management policies and guidelines, reviews clients' financial position, considers past experience, obtain authorized approvals and arrange for necessary collaterals in the form of equity securities to reduce credit risks and other factors.

Concentration of credit risk

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

The carrying amount of financial assets represent the maximum credit exposure, as specified below.

Financial Asset	2016 RUPEES	2015 RUPEES
Long-term investments	25,635,040	23,835,040
Trade receivable - considered good	125,173,399	211,804,[illegible]
Short term deposits	12,399,659	23,449,658
Short term investments	77,034,149	99,142,822
Advances	15,588,357	12,863,287
Bank balances	82,284,593	77,811,75[illegible]
	334,421,257	445,605,5[illegible]

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 adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

The following are the contractual maturities of the financial liabilities:

	2016	2015
	RUPEES	RUPEES
	Within 1 year	Within 1 year
Trade and other payables	53,558,097	54,251,987
Short term loan	67,000,000	200,000,000
	43,558,097	54,251,987

Market risk

Market risk means that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, equity prices and interest rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company's market risk comprises of two types of risk: foreign exchange or currency risk and interest/ markup rate risk. The market risks associated with the Company's business activities are discussed as under:

Foreign currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transaction in foreign currency. Currently, the Company is not exposed to currency risk since there are no foreign currency transactions and balances at the reporting date.

Price Risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Presently, daily stock market fluctuation is controlled by government authorities with cap and floor of 5%. The restriction of floor prices reduces the volatility of prices of equity securities and the chances of market crash at any moment. The Company manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies, which includes disposing of its own equity investment and collateral held before it led the company to incur significant mark to market and credit losses.

The carrying value of investments subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

The Company's portfolio of short term investments is broadly diversified so as to mitigate the significant risk of decline in prices of securities in particular sector of the market.

Fair Values estimate

In case of equity instruments, the Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 : Quoted market price (unadjusted) in an active market.

Level 2 : Valuation techniques based on observable inputs.

Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

Fair value at initial recognition

The Company takes in to account factors specific to the transaction and to the asset or liability, when determining whether or not the fair value at initial recognition equals the transaction price. Except for long term deposits, Long term investment, and Employee Vehicle Scheme the fair value of financial assets and financial liabilities recognised in these financial statements equals the transaction price at initial recognition. Due to immaterial effect the fair value of the long-term deposits, long term investment and employee vehicle scheme has not been determined and their carrying value has been assumed to be equal to their fair value.

Valuation techniques and inputs used

For instruments carried at amortized cost, since majority of the interest bearing instruments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are of short term in nature, fair value significantly approximates to carrying value.

Fair value of the Company's financial assets and liabilities that are measured at fair value on recurring basis after initial recognition

The company uses widely recognized valuation techniques for determining the fair value of assets and liabilities, that use only observable market data and require little management judgment and estimation. The short term investments held for trading have been categorised as level 1

v) Fair value of the Company's financial assets and liabilities that are not measured at fair value after initial recognition

The carrying amount of financial assets and financial liabilities recognized in these financial statements approximate their respective fair values. Fair values of financial assets and liabilities carried at amortized cost

		June 30, 2016		June 30, 2015	
	Level	Carrying Value Rs	Fair Value Rs.	Carrying Value Rs	Fair Value Rs
Financial assets carried at Fair Value:					
Short Term Investments	Level 1	77,034,145	77,034,145	58,142,922	58,142,922

vi) Determination of fair values:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods;

a) Non-derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

21 CAPITAL RISK MANAGEMENT

The company's objective when managing capital is to safe guard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stake holders and to maintain strong capital base to support the development of its business.

The company manages its capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the company may adjust amount of dividend paid to shareholders or issue new shares. The company is not subject to externally imposed capital requirements.

22 NUMBER OF EMPLOYEES

Number of employees at year end	17	17
Average number of employees during the year	17	17

23 DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 29, 2016 by the board of directors.

30/6/16

GENERAL

- Figures have been rounded off to the nearest rupee
- Figures for the previous year have been re arranged wherever necessary for comparison purposes

CHIEF EXECUTIVE

DIRECTOR