Russell Bedford

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

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Auditors' Report to the Members

We have audited the annexed balance sheet of **Friendly Securities (Private) Limited** ("the Company") as at **30th June, 2017** and the related profit and loss account, statement of comprehensive income, statement of cash flows 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 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, statement of cash flows 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 **30th June, 2017** and of the profit, its total comprehensive profit, 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).

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: Muhammad Rafiq Dosani

Karachi.
Date: 03 OCT 2017

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

	Note	2017	2016
		Rupees	
NON-CURRENT ASSETS			
Property and equipment	4	589,220	513,460
Intangible assets	5	4,335,425	6,955,893
Investment-available for sale	6	41,163,833	10,914,575
Long term deposits	7	4,530,393	3,859,109
		50,618,871	22,243,037
CURRENT ASSETS			
Trade debts	8	38,193,113	83,588,650
Advances, deposits, prepayments and other receivables	9	40,905,818	5,441,592
Short term investment		667	477
Cash and bank balances	10	30,576,831	8,957,361
		109,676,429	97,988,080
		160,295,300	120,231,117
EQUITIES AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized Capital 7,500,000 (2016: 7,500,000) ordinary shares of Rs. 100/ each		75,000,000	75,000,000
Issued, subscribed and paid up capital 7,500,000 (2016: 7,500,000) ordinary shares of Rs. 100/ each fully paid in cash		75,000,000	75,000,000
Unappropriated profit		71,510,900	7,207,761
		146,510,900	82,207,761
CURRENT LIABILITIES			
Trade and other payables	11	13,764,819	8,650,179
Accrued markup		19,581	394,146
Short term borrowing	12	-	28,979,032
		13,784,400	38,023,357
Contingencies and Commitment	13		
		160,295,300	120,231,117

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

CHIEF EXECUTIVE

DIRECTOR

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

	NOTES	2017	2016
		Rupees	
Operating revenue	14	20,308,440	15,816,255
Gain on sale of PSX shares		60,333,039	-
OPERATING EXPENSES			
Administrative expenses	15	(53,354,999)	(11,443,099)
Finance cost	16	(1,636,208)	(3,256,087)
		(54,991,207)	(14,699,186)
Other income		2,151,816	1,645,598
Operating Profit		27,802,088	2,762,667
Workers' Welfare Fund		-	(55,253)
Profit before taxation		27,802,088	2,707,414
Taxation			
- Current year		(297,144)	(614,198)
- Prior year		-	(106,559)
		(297,144)	(720,757)
Profit after taxation		27,504,944	1,986,657

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

CHIEF EXECUTIVE DIRECTOR

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

	Note	2017	2016
		Rupees	
Profit/(loss) after taxation		**27,504,944**	**1,986,657**
Other comprehensive income			
Unrealise gain/(loss) on remeasurement of available for sale investment during the year		**36,798,193**	-
Total comprehensive income/ (loss) for the year		**64,303,137**	**1,986,657**

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

CHIEF EXECUTIVE

DIRECTOR

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

	2017	2016
	Rupees	
Cash Flow From Operating Activities		
Profit/(loss) before taxation	27,802,088	2,707,412
Adjustment for Non-Cash & other Items		
Depreciation	2,778,210	159,939
Workers' Welfare Fund	-	55,253
Finance cost	1,636,208	3,256,087
	4,414,418	3,471,279
Cash flow before working capital changes	32,216,506	6,178,691
Changes in Working Capital Items		
(Increase) /Decrease in Current Assets		
Trade debtors	45,395,537	7,086,112
Advances, deposits, prepayments and other receivable	(33,152,602)	1,980,324
	12,242,935	9,066,436
Increase /(Decrease) in Current Liabilities		
Trade & other payables	5,114,640	(23,621,617)
Cash flow from operating activities	49,574,081	(8,376,490)
Financial cost paid	(2,010,773)	(3,742,524)
Tax received / (paid)	(2,608,768)	(1,635,667)
Net Cash Flow from Operating Activities	44,954,540	(13,754,681)
Cash Flow From Investing Activities		
Purchase of property & equipment	(233,500)	(52,450)
Short term investments-Net	6,548,745	-
Long term deposits	(671,284)	(100,000)
Net Cash Flow from Investing Activities	5,643,961	(152,450)
Net (decrease) / increase in cash and cash equivalents	50,598,501	(13,907,130)
Cash and cash equivalents at beginning of the year	(20,021,671)	(6,114,541)
	30,576,831	(20,021,671)
Cash and cash equivalents		
Cash and bank balances	30,576,831	8,957,361
Short term borrowings	-	(28,979,032)
	30,576,831	(20,021,671)

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

CHIEF EXECUTIVE **DIRECTOR**

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

	Share Capital	Unappropriated Profit/(Loss) Rupees	Total
Balance as at July 01, 2015	75,000,000	5,221,106	80,221,106
Comprehensive income/(loss) for the year		1,986,657	1,986,657
Balance as at June 30, 2016	**75,000,000**	**7,207,763**	**82,207,763**
Balance as at July 01, 2016	75,000,000	7,207,763	82,207,763
Comprehensive income/(loss) for the year		64,303,137	64,303,137
Balance as at June 30, 2017	**75,000,000**	**71,510,900**	**146,510,900**

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

CHIEF EXECUTIVE **DIRECTOR**

FRIENDLY SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2017

1 STATUS AND ACTIVITIES

The Company incorporated as a Private Limited Company under the Companies Ordinance, 1984 on November 22, 2000. The Company is a corporate member of Pakistan Stock Exchange (formerly Karachi Stock Exchange Limited). The principal business of the Company is investments and trading of securities. The registered office of the company is located at Room No. 128-129, 3rd Floor, Karachi Stock Exchange Building. The Company has also acquired the membership of Pakistan Mercantile Exchange Limited.

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 Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of Companies Ordinance, 1984 or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 and said directives shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the Securities and Exchange Commission of Pakistan (SECP) vide its Circular 23 / 2017 dated October 04, 2017, these financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984. The new requirements of the Companies Act, 2017 shall be applicable to the companies having their financial year closure after December 31, 2017. The application of Companies Act, 2017 will require additional disclosures in the financial statements of the Company.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain short term investments which are stated at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is Company's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved financial reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

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 judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.5 Amendments / interpretation to existing standard and forthcoming requirements

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after the dates specified below:

- Amendments to IAS 7 'Statement of Cash Flows' are part of the IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

- Amendments to IAS 12 'Income Taxes' (effective for annual periods beginning on or after 1 January 2017) - The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property'- effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IFRS 2 'Share-based Payment' clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

- IFRS 9 'Financial Instruments - Recognition and measurement' effective for annual periods beginning on or after July 01, 2018 clarifies the financial assets should be classified and measured at fair value with changes in fair value recognized in profit and loss as they arise, unless restrictive criteria are met for classifying and measuring the asset at either amortised cost or fair value through other comprehensive income.

- IFRS 9 eliminates impairment assessments for equity instruments and establish a new approach for loans and receivables, an "expected loss" model. The application of the standard is not likely to have a material impact on the financial statements of the company.

At the reporting date, the interest rate profile of the Company's significant interest bearing financial instruments was relating to short term borrowings amounting to Rs 28.98 (2015: 36.19) million carrying effective rate of interest of 8-10% per annum.

b) **Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, possibility of default by investors, and or failure of the financial markets, depositors, settlements or clearing system etc.

Exposure to credit risk

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, short term loans, deposits, proceed receivable 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 and other factors, and obtains necessary collaterals to reduce credit risks. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies, investment and operational guidelines approved by the Board of Directors. In addition, credit risk is also minimized due to the fact that the Company invests only in high quality financial assets, majority of which have been rated by a reputable rating agency. The Company does not expect to incur material credit losses on its financial assets.

The carrying amount of financial assets represent the maximum credit exposure at the reporting date, which are detailed hereunder as follows:

		Carrying amount	
	Note	**2017**	**2016**
		------Rupees------	
Long term deposits	7	4,530,393	3,859,109
Trade debts	8	38,193,113	83,588,650
Advances, Trade deposits and other receivables	9	40,905,818	5,441,592
Bank balances	10	30,571,831	8,952,361
		114,201,155	101,841,712

Due to the company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company. Accordingly, the credit risk is minimal.

There are no any past due financial assets as at the reporting date.

c) **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.

- IFRS15 Revenue from Contracts with Customers' effective for annual periods beginning on or after July 01, 2018, superseding clarifies five-step model to determine when to recognize revenue, and at what amount. The model specifies that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at the amount to which entity expects to be entitled. The application of the standard is not likely to have a material impact on the financial statements of the company.

- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture.

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

The above amendments will not have an impact on the financial statements of the

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The cost of intangible inadvertently included the cost of an office and booth in PSX amounting to 2.620 million which should have been classified as 'tangible fixed assets' in the balance sheet and, accordingly, should have been depreciated at a rate reasonable in relation to their useful life.

Since the financial effects of correction of the aforesaid error are not considered to be material, the Company has incorporated necessary adjustments in these financial statements prospectively and, accordingly, has not presented an additional balance sheet as the beginning of the comparative year in accordance with the requirements of 'International Accounting Standard (IAS) 1 'Presentation of Financial Statements'.

3.2 **Property, plant and equipment**

Owned

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset including borrowing costs.

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

Subsequent costs are included in the carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the year in which they are incurred.

Disposal of an item of property and equipment is recognised when significant risks and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating expenses/income' in the profit and loss account.

Depreciation is charged to profit and loss account using reducing balance method whereby the cost of the asset less its estimated residual value is written off over the estimated useful life at rates given in note 4. Depreciation on additions is charged from the quarter in which asset is available for use and on disposals upto the quarter preceding the quarter of disposal.

3.3 **Intangible assets**

An intangible asset is recognised as an asset if it is probable that the economic benefits attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

Membership cards and offices

This is stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

Computer software

Expenditure incurred to acquire identifiable computer software and having probable economic benefits exceeding the cost beyond one year, is recognised as an intangible asset. Such expenditure includes the purchase cost of software (license fee) and related overhead cost.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

Costs which enhance or extend the performance of computer software beyond its original specification and useful life is recognised as capital improvement and added to the original cost of the software.

Computer software and license costs are stated at cost less accumulated amortization and any identified impairment loss and amortized over a period of four years using the straight line method.

Amortization is charged from the quarter in which the related asset is available for use while no amortization is charged for the quarter in which such asset is disposed off.

3.4 Impairment of non-financial assets

Assets that are subject to depreciation/amortisationare reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sale and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

3.5 Financial assets

3.5.1 Classification

The Company classifiesits financialassets in the followingcategories:at fair value through profitor loss, held to maturity, loans and receivables,and available-for-saleThe classificationdepends on the purpose for which the financial assets were acquired. Management determines the classificationof its financial assets at initial recognition.

a) Loans and receivables

Loans and receivablesare non-derivativefinancial assets with fixed or determinablepayments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

b) Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity.

c) Available-for-sale financial assets

Available-for-salefinancial assets are non-derivativesthat are either designatedin this category or not classifiedin any of the other categories. They are includedin current assets as the management intends to dispose off the same within 12 months.

d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classifiedas held for trading if acquired principallyfor the purpose of selling in the short term. Assets in this categoryare classifiedas current assets. in the short term. Assets in this categoryare classifiedas current assets.

3.5.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financialassets carried at fair value through profit or loss are initiallyrecognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognisedwhen the rights to receive cash flows from the investments have expiredor have been transferredand the Company has transferred substantiallyall risks and rewards of ownership. Available-for-salefinancial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within income / expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of operating income when the Company's right to receive payments is established.

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account as part of other income. Dividends on available for sale equity instruments are recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

3.5.3 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 3.6.

3.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or realise the asset and settle the liability simultaneously.

3.7 Trade debts and other receivables

Trade debts and other receivables are recognised at fair value and subsequently measured at amortized cost. A provision for impairment in trade debts and other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.8 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the company are not treated as assets of the Company and accordingly are not included in these financial statements.

3.9 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks and bank overdrafts / short term borrowings. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.10 Share capital

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

3.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.12 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.13 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is recognised using balance sheet liability method, providing for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.14 Provisions

Provisions are recognized when the Company has a present legal or constructive obligations a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

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 instruments. Any gain or loss on the recognition and derecognizing of the financial assets and liabilities is taken to profit and loss account currently.

3.16 Foreign currency transactions and translation

Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into functional currency using the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

3.17 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognised on the following basis:

- Brokerage, consultancy and advisory fee, commission etc. are recognised as and when such services are provided.

- Income from bank deposits is recognised at effective yield on time proportion basis.

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

- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise and marked to market gains accumulated in other comprehensive income are transferred to profit and loss account in the year in which investments are disposed off.

3.18 Borrowing costs

Borrowing costs are recognised as an expense in the year in which they are incurred except where such costs are directly attributable to the acquisition or construction of qualifying asset in which such costs are capitalized as part of the cost of that asset.

4 PROPERTY AND EQUIPMENT

	Office and Booths	Furniture & fixture	Motor & Vehicle	Office Equipments	Computer	Total
			Rupees			
As at July 01, 2015						
Cost	-	3,210,519	33,500	416,771	2,541,803	6,202,593
Accumulated depreciation	-	(3,099,187)	(8,040)	(264,541)	(2,209,876)	(5,581,644)
Net book value	-	111,332	25,460	152,230	331,927	620,949
Year ended June 30, 2016						
Opening net book value	-	111,332	25,460	152,230	331,927	620,949
Additions during the year	-	-	-	-	52,450	52,450
Depreciation for the year	-	(16,700)	(5,092)	(22,835)	(115,313)	(159,940)
Closing net book value	-	94,632	20,368	129,395	269,064	513,459
Cost	-	3,210,519	33,500	416,771	2,594,253	6,255,043
Accumulated depreciation	-	(3,115,887)	(13,132)	(287,376)	(2,325,189)	(5,741,584)
Net book value	-	94,632	20,368	129,395	269,064	513,459
Year ended June 30, 2017						
Opening net book value	-	94,632	20,368	129,395	269,064	513,459
Additions / transfers during the year (refer note 3.1)	2,620,468	-	-	-	233,500	2,853,968
Depreciation for the year	(2,620,468)	(27,268)	(4,074)	(19,409)	(106,988)	(2,778,207)
Closing net book value	-	67,364	16,294	109,986	395,576	589,220
Cost	2,620,468	3,210,519	33,500	416,771	2,827,753	9,109,011
Accumulated depreciation	(2,620,468)	(3,143,155)	(17,206)	(306,785)	(2,432,177)	(8,519,791)
Net book value	-	67,364	16,294	109,986	395,576	589,220
	5%	15%	20%	15%	30%	

5 INTANGIBLE ASSETS

	Note	2017	2016
		Rupees	
Trading Rights Entitlement (TRE) Certificate	6	4,085,425	4,085,425
Office and booth PSX		2,620,468	2,620,468
Reclassified to operating fixed assets	3.1	(2,620,468)	-
Pakistan Mercantile Exchange Limited	5.1	250,000	250,000
		4,335,425	6,955,893

5.1 This represents cost of membership card of Pakistan Mercantile Exchange Limited with indefinite useful life.

6 INVESTMENT-AVAILABLE FOR SALE

	2017	2016
	Rupees	
Investment in shares of Pakistan Stock Exchange Limited	41,163,833	10,914,575

In March 2017, the Company disposed off 1,602,953 shares (i.e. 40% stake), under the Share Purchase Agreement(SPA) between the divestment committee of PSX and Anchor investor, at a price of Rs. 25.20 per share. The original price was Rs. 28 per share from which there was a retention of 10% (i.e. Rs 2.8 per share).

Furthermore, in June, PSX offered Initial Public Offering (IPO) in which Company disposed off additional 801,477 shares (i.e.20% stake) at a price of Rs.28 per share.

On June 23,2017, the SECP approved PSX's application for listing and, thereafter, the shares were successfully listed on June 29,2017. Accordingly, the remaining 1,602,953 shares (i.e. 40% stake) are valued at the closing market rate of Rs.25.68 per share as of period end.

6.1 Fair value of pledge shares of clients against bank overdraft amounts to Rs.6,749,935.

7	LONG TERM DEPOSIT	2017	2016
		Rupees	
	Pakistan Stock Exchange Limited	376,093	204,809
	Central Depository Company	100,000	100,000
	PMEX deposit	750,000	750,000
	NCCPL Future Basic Deposit	500,000	-
	Office deposit (NCEL)	2,500,000	2,500,000
	National Clearing Company	300,000	300,000
	Warid Telecom	2,300	2,300
	Deposit to supplier of water	2,000	2,000
		4,530,393	3,859,109

8 TRADE DEBTS - UNSECURED

	2017	2016
Receivable from client against purchase of shares on their behalf	38,217,728	83,588,650
Less: provision against amount receivable from clients exceeding the collateral held from such customers	(24,615)	-
	38,193,113	83,588,650

8.1 The aging analysis of amount receivable from clients is as follows:

	2017	2016
Amount due from clients within five days	2,177,930	4,763,502
Amount due from clients for more than five days	36,039,798	78,825,148

8.2 The provision recognized is in accordance with Securities Brokers (Licensing and Operations) Regulations, 2016.

9	ADVANCE, DEPOSITS PREPAYMENTS AND OTHER RECEIVABLES	Note	2017	2016
			Rupees	
	Advance tax	9.1	6,261,199	3,949,575
	Advance to staff		230,013	133,013
	Others		13,767	407,168
	Base minimum capital		15,823,907	-
	PSX deposits and Receivable		18,576,932	951,836
			40,905,818	5,441,592

9.1 Advance Tax

	2017	2016
Tax deducted at source	6,558,343	4,563,773
Less: Provision for taxation	(297,144)	(614,198)
	6,261,199	3,949,575

9.2 This includes receivable from PSX amounting to Rs. 4,488,268 (2016: nil) on account of 10% proceeds withheld form sale of 40% shares of PSX.

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		Note	2017	2016
10	**CASH AND BANK BALANCES**		Rupees	
	Cash in hand		5,000	5,000
	Cash at bank - current account		30,571,831	8,952,361
			30,576,831	8,957,361

10.1 This includes a balance of Rs. 13,196,186 (2016: Rs. 8,111,657) held in a separate bank account designated to clients.

		Note	2017	2016
11	**TRADE AND OTHER PAYABLES**		Rupees	
	Creditors		13,196,186	8,074,971
	Accrued expenses		568,633	575,208
			13,764,819	8,650,179

12 SHORT TERM BORROWING

The company has obtained running finance facilitiesunder mark up arrangement with limit of Rs 100 million each (2016: Rs 100 millioneach) from Bank Alfalah Limited and JS Bank Limited, with mark up ranging 3 months KIBOR + 2%. The arrangement is secured against personal guarantee of all directors.

13 CONTINGENCIES AND COMMITMENT

No contingencies and commitments at balance sheet date.

		Note	2017	2016
14	**OPERATING REVENUE**		Rupees	
	Commission income		19,794,004	14,432,972
	Profit on cash margin		70,265	48,527
	Dividend income		440,846	1,282,363
	Subscription commission income		3,325	52,393
			20,308,440	15,816,255
15	**ADMINISTRATIVE EXPENSES**			
	Salaries, benefits and allowances		2,344,177	2,129,243
	Director remuneration	15.1	1,200,000	1,200,000
	PSX, rent, electricity and service charges		2,157,367	1,605,911
	Printing and stationery		51,757	81,583
	Fees and subscription		11,080	348,603
	Commission expenses		4,805,363	4,702,760
	Legal and professional		385,741	100,600
	Software expenses		126,288	119,202
	Communication expenses		418,183	434,131
	Insurance, Rent, rates and taxes		-	-
	Traveling and conveyance expenses		29,270	30,798
	Audit fees		250,000	250,000
	Fuel, water and power		-	28,860
	Entertainment expense		84,728	54,178
	Vehicle Running and maintenance		-	-
	Repair and maintenance		19,220	25,000
	Bad debts written off		38,543,519	-
	Miscellaneous expense		66,931	136,726
	Depreciation		2,778,207	159,939
	Provision against doubtful receivable	8.2	24,615	-
	General expenses		58,553	35,565
			53,354,999	11,443,099

15.1 Directors' Remuneration

	Chief Executive		Director		Total	
	2017	2016	2017	2016	2017	2016
			Rupees			
Basic salary	377,464	377,464	377,464	377,464	754,928	754,928
House allowance	121,515	121,515	121,515	121,515	243,030	243,030
Utility allowance	101,021	101,021	101,021	101,021	202,042	202,042
	600,000	600,000	600,000	600,000	1,200,000	1,200,000
	1	1	1	1		

16 FINANCE COST

	2017	2016
	Rupees	
Bank mark-up	1,401,616	3,035,012
Bank charges	234,592	221,076
	1,636,208	3,256,088

17 RELATED PARTY TRANSACTIONS

Related parties comprises of directors, key management personnel and their close family members. Remuneration to key management personnel are in accordance with their terms of employment.

During the year, the Company entered into certain deals of purchase and sale of securities on behalf of its directors for which no brokerage comission was charged.

18 FINANCIAL RISK MANAGEMENT

18.1 Financial Risk Factors

The Company is exposed to a variety of financial risks (including interest rate risk and other price risk), credit rate risk and liquidity 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 the overall responsibility for the establishment and oversight of Company's risk management framework. All related transactions are carried out within the parameters of these policies.

a) Market Risk

i) 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.

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ii) 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. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 41.164 million (2016: Rs. 10.914 million) at the reporting date. 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.

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, the amount realized on sale of a particular security may be affected by the relative quantity of the security being sold.

Sensitivity analysis

The table below summarizes the Company's equity price risk as of 30 June 2017 and 30 June 2016 and shows the effects of a hypothetical 1% change in market prices as at the reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Company's equity investment portfolio.

		Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders' equity
June 30, 2017	*Rupees*	41,163,833	1% change	41,575,471	411,638
June 30, 2016	*Rupees*	10,914,575	1% change	11,023,721	109,146

iii) Interest rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

The company has variable rates financial liabilities of Rs. Nil million (2016: Rs. 28.98 million) that lead the company to interest rate risk on these liabilities. However, has no financial assets which is subject to interest / markup rate risk.

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not effect fair value of any financial instrument.

On the reporting date, the Company had cash and bank balance of Rs. 30.57 million (2016: Rs. 8.9 million) as disclosed in Note 12 and two credit lines of Rs. 100 million each out of which Rs. Nil million (2016: Rs. 28.98 million) have been utilized during the year.

The Company had no other interest bearing liabilities outstanding at the reporting date.

18.2 Fair value hierarchy

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 prices (unadjusted) in active markets for identical assets or liabilities.

• Level 2 — inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

• Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the reporting dates the fair value hierarchy of the Company's financial assets measured at fear value was as follows:

June 30, 2017	Level 1	Level 2	Level 3	Total
		---------------- Rupees ----------		
Long term investment - Available- for-sale	41,163,833	-	-	41,163,833

June 30, 2016	Level 1	Level 2	Level 3	Total
		---------------- Rupees ----------		
Long term investment - Available- for-sale	10,914,575	-	-	10,914,575

18.3 Financial instruments by category

Amounts in Rupees

As at June 30, 2017 Financial assets as per balance sheet	Available for sale	Loans and receivables	Bank	Total
Long term investment	41,163,833	-	-	41,163,833
Short term Investment	667	-	-	667
Long term deposits	-	4,530,393	-	4,530,393
Trade debts	-	38,193,113	-	38,193,113
Advances, deposits, prepayments and other receivables	-	40,905,818	-	40,905,818
Bank balances	-	-	30,571,831	30,571,831
	41,164,500	83,629,324	30,571,831	155,365,655

As at June 30, 2017 Financial liabilities as per balance sheet	Financial liabilities at amortized cost
Trade & other payables	13,764,819
Accrued markup	19,581
Short term borrowing	-
	13,784,400

Amounts in Rupees

As at June 30, 2016 **Financial assets as per balance sheet**	**Available for sale**	**Loans and receivables**	**Bank**	**Total**
Long term investment	10,914,575	-	-	10,914,575
Short term Investment	477	-	-	477
Long term deposits	-	3,859,109	-	3,859,109
Trade debts	-	83,588,650	-	83,588,650
Advances, deposits, prepayments and other receivables	-	8,957,361	-	8,957,361
Bank balances	-	-	8,952,361	8,952,361
	10,915,052	96,405,120	8,952,361	116,272,533

As at June 30, 2016 **Financial liabilities as per balance sheet**	**Financial liabilities at amortized cost**
Trade & other payables	8,650,179
Accrued markup	394,146
Short term borrowing	28,979,032
	38,023,357

19 CAPITAL RISK MANAGEMENT

The Board's policy of capital risk management is to maintain a strong capital base, ratios and credit rating so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes in Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

20 INVESTMENT TURNOVER

Turnover during the period comprises of the following:

During the year ended June 30, 2017	Turnover in Value
Institution	-
Retail	19,794,004
Proprietary	-
Total	**19,794,004**

21 PATTERN OF SHAREHOLDING

Shareholders holding more than 5% of the shares are as follows:

	Percentage of holding 2017	2016
Mr.Tariq Janoo	61.16%	61.16%
Mrs.Shehla Tariq	34.28%	34.28%
Mr.Jawad Janoo	0.01%	0.01%
Mr.Muhammad Azeem	4.55%	4.55%

22	NUMBER OF EMPLOYEES	2017	2016
	Number of employees	10	10
	Average Number of employees	10	10

23 **APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors and authorized for issue on 03 OCT 2017.

24 **GENERAL**

24.1 Figures have been rounded off to the nearest rupee and corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison.

CHIEF EXECUTIVE

DIRECTOR