



**PrimeGlobal**

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**Zahid Jamil & Co.**

**Chartered Accountants**

An Independent Member Firm of Prime Global

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### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **RAHAT SECURITIES LIMITED** as at **JUNE 30, 2016** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that-

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion-
  - i) the balance sheet and profit and loss account together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **JUNE 30, 2016** and of the loss, its comprehensive 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.

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

**FAISALABAD:**

**Date: September 28, 2016**

*Zahid Jamil & Co.*

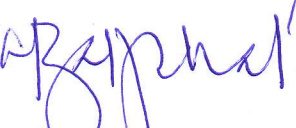
**CHARTERED ACCOUNTANTS**

**(Engagement Partner: Muhammad Amin)**

**RAHAT SECURITIES LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2016**

	NOTE	2016 RUPEES	2015 RUPEES		NOTE	2016 RUPEES	2015 RUPEES
<b>EQUITY AND LIABILITIES</b>				<b>ASSETS</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>				<b>NON CURRENT ASSETS</b>			
Share capital				Tangible			
Authorized				Property and equipment			
5,000,000 (2015: 5,000,000) Ordinary shares of Rs. 10/- each.		<u>50,000,000</u>	<u>50,000,000</u>	Operating fixed assets	6	1,870,957	2,027,125
				Intangible assets	7	<u>41,148,000</u>	<u>41,148,000</u>
						43,018,957	43,175,125
Issued, subscribed and paid up							
2,500,000 (2015: 2,500,000) Ordinary shares of Rs. 10/- each.		25,000,000	25,000,000				
Reserves							
Revenue				Long term investments	8	7,072,000	7,072,000
Accumulated profit		<u>95,833,325</u>	<u>80,841,477</u>	Long term deposits	9	3,111,146	3,684,637
		120,833,325	105,841,477				
<b>CURRENT LIABILITIES</b>				<b>CURRENT ASSETS</b>			
Trade & other payables	4	<u>25,521,863</u>	<u>31,851,400</u>	Trade debts	10	<u>14,372,047</u>	<u>10,032,533</u>
				Short term investments	11	<u>42,606,236</u>	<u>29,693,073</u>
				Tax refunds due from the Government	12	<u>3,921,547</u>	<u>3,859,473</u>
				Advances and deposits	13	<u>263,757</u>	<u>158,200</u>
				Cash and bank balances	14	<u>31,989,497</u>	<u>40,017,836</u>
		25,521,863	31,851,400			93,153,085	83,761,115
<b>CONTINGENCIES AND COMMITMENTS</b>	5	<u>-</u>	<u>-</u>			<u>146,355,188</u>	<u>137,692,877</u>
		146,355,188	137,692,877				

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

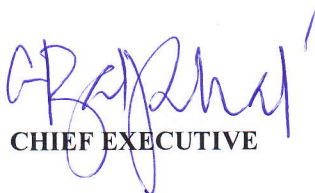
  
**CHIEF EXECUTIVE**

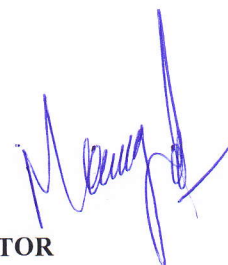
  
**DIRECTOR**

**RAHAT SECURITIES LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	NOTE	2016 RUPEES	2015 RUPEES (Restated)
Brokerage income		5,613,604	10,265,655
Capital (loss) / gain on sale of securities - net		(953,172)	16,251,355
Dividend		4,394,229	1,065,822
		<u>9,054,660</u>	<u>27,582,831</u>
Operating and administrative expenses	15	<u>9,857,113</u>	<u>9,693,681</u>
Operating (loss) / profit		(802,453)	17,889,150
Finance cost	16	<u>17,046</u>	<u>19,417</u>
		<u>(819,499)</u>	<u>17,869,733</u>
Other income	17	<u>32,195</u>	<u>91,514</u>
(Loss) / profit before taxation		(787,304)	17,961,247
Taxation	18	<u>(414,509)</u>	<u>(2,093,012)</u>
(Loss) / profit after taxation		<u>(1,201,813)</u>	<u>15,868,235</u>
Basic and diluted (loss) / earning per share		<u>(0.48)</u>	<u>6.35</u>

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

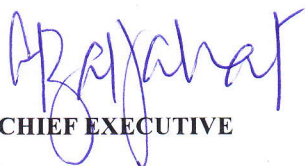
  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

**RAHAT SECURITIES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	2016 RUPEES	2015 RUPEES (Restated)
(Loss) / profit after taxation	(1,201,813)	15,868,235
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
- Unrealized gain on remeasurment of short term investment	16,193,660	4,061,772
Total comprehensive income	14,991,847	19,930,007

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

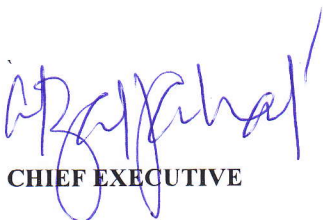
  
**CHIEF EXECUTIVE**

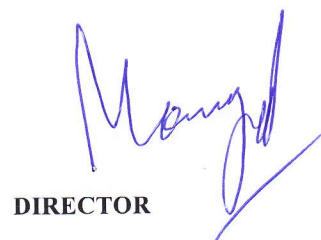
  
**DIRECTOR**



**RAHAT SECURITIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2016**

PARTICULARS	SHARE CAPITAL	REVENUE RESERVES	TOTAL
		ACCUMULATED PROFIT	
	RUPEES		
<b>BALANCES AS AT JULY 01, 2014</b>	25,000,000	60,911,471	85,911,471
Total comprehensive income for the year	-	19,930,007	19,930,007
<b>BALANCES AS AT JUNE 30, 2015</b>	25,000,000	80,841,477	105,841,477
Total comprehensive income for the year	-	14,991,847	14,991,847
<b>BALANCES AS AT JUNE 30, 2016</b>	25,000,000	95,833,325	120,833,325

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

**RAHAT SECURITIES LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	2016 RUPEES	2015 RUPEES (Restated)
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(787,304)	17,961,247
Adjustments for non cash / non operating items		
Depreciation	256,368	293,965
Capital gain on sale of securities - net	-	(16,183,573)
Financial Charges	17,046	19,417
<b>Operating profit before working capital changes</b>	(513,890)	2,091,057
Adjustments for working capital changes:		
(Increase) / decrease in current assets		
Trade debts	(4,339,514)	6,205,710
Short term investments	3,280,497	17,052,092
Advances and deposits	(105,557)	(158,200)
(Decrease) / increase in current liabilities		
Trade and other payables	(6,329,537)	5,819,123
	(7,494,111)	28,918,725
Cash (used in) / generated from operating activities	(8,008,001)	31,009,782
Taxes paid	(476,583)	(2,477,712)
Finance cost paid	(17,046)	(19,417)
<b>Net cash (used in) / generated from operating activities</b>	(8,501,630)	28,512,653
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Long term deposits	573,491	5,414,032
Fixed capital expenditure	-	(29,263,350)
Addition in fixed assets	(100,200)	-
<b>Net Cash generated / (used in) from investing activities</b>	473,291	(23,849,318)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Net Cash generated / (used in) from financing activities</b>	-	-
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	(8,028,339)	4,663,335
<b>Cash and cash equivalents at the beginning of the year</b>	40,017,836	35,354,501
<b>Cash and cash equivalents at the end of the year</b>	31,989,497	40,017,836

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

**RAHAT SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

The company is a public company incorporated in Pakistan under the Companies Ordinance, 1984. The company is a Trading Rights Entitlement Certificate Holder (TREC) of Lahore Stock Exchange Limited and has also acquired membership of the Pakistan Mercantile Exchange Limited. The registered office of the company is situated in room 617 - 618, Lahore Stock Exchange Building, 19 Khyaban-e-Aiwan-e-Iqbal Road, Lahore. It is principally engaged in the business of brokerage, underwriting, buying and selling of stocks, shares, modaraba certificates etc.

**2. BASIS OF PREPARATION**

**2.1. Statement of Compliance**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standard (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provision of and directives issued under the Companies Ordinance 1984. In case requirement differ, the provision or directives of the Companies Ordinance, 1984, shall prevail.

**2.2. Basis of Measurement**

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

**2.3. Functional and presentation currency**

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

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

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

		<b>Effective Date</b> <b>(Annual periods beginning on or after)</b>
IFRS 14	Regulatory Deferral Accounts	1-Jan-16
IAS 1	Presentation of Financial Statements (Amendments)	1-Jan-16
IAS 16	Property, Plant and Equipment (Amendments)	1-Jan-16
IAS 19	Employee Benefits (Amendments)	1-Jan-16
IAS 27	Separate Financial Statements (Amendments)	1-Jan-16
IAS 28	Investment in Associates and Joint Ventures (Amendments)	1-Jan-16
IAS 34	Interim Financial Reporting (Amendments)	1-Jan-16
IAS 38	Intangible Assets (Amendments)	1-Jan-16
IAS 41	Agriculture (Amendments)	1-Jan-16

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

<b>Standard or Interpretation</b>	<b>Effective Date</b> <b>(Annual periods beginning on or after)</b>
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Amendments)	1-Jul-16
IFRS 7 Financial Instruments: Disclosures (Amendments)	1-Jul-16



IFRS 11	Joint Arrangements (Amendments)	1-Jan-17
IFRS 15	Revenue from Contracts with Customers	1-Jan-18
IFRS 16	Leases	1-Jan-19
IAS 7	Statement of Cash Flows (Amendments)	1-Jan-17
IAS 12	Income Taxes (Amendments)	1-Jan-17

## 2.5. Use of Estimate & Judgment

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. However, assumptions and judgment made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in next year.

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

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 3.1. Property, Plant and Equipment and Depreciation

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

Gains and losses on disposal of an item of property, 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.

### 3.2. Intangible assets

#### 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 straight line method over a period of five years.

#### Membership Cards - infinite useful life

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



### **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.

### **3.3. Investments**

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

#### **Long term investments available for sale - at cost**

These are initially recognised at cost. These represent shares in Lahore Stock Exchange Limited, a public unlisted company, therefore they have been stated at cost. The cost of investments acquired in an exchange transaction is measured at the carrying value of the asset with which it has been exchanged.

#### **Short term investments available for sale**

These are initially recognized at cost and at subsequent reporting dates measured at fair values. Gains or losses from changes in fair values are taken to Other comprehensive Income.

### **3.4. 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.

### **3.5. 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.

### **3.6. 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.

### **3.7. Borrowing Cost**

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.

### **3.8. 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.

### **3.9. Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

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

### **3.11. Provisions**

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

### **3.12. Impairment**

#### **a) Financial Assets**

A financial asset is considered to be impaired if objective evidence indicates 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.

### **3.13. Dividend & Appropriation to reserves**

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

### **3.14. 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.

### **3.15. 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.

### **3.16. 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.



	NOTE	2016 RUPEES	2015 RUPEES
<b>4. TRADE AND OTHER PAYABLES</b>			
Members and clients		24,475,878	30,695,658
Accrued expenses		1,045,985	1,076,255
Other payables		-	79,487
		<u>25,521,863</u>	<u>31,851,400</u>

#### 5. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at June 30, 2016 (2015: Nil)

#### 6. PROPERTY AND EQUIPMENT

-----2016-----								
PARTICULARS	COST			ACCUMULATED DEPRECIATION			NET CARRYING VALUE AS AT 30-06-16	RATE %
	TOTAL AS AT 01-07-15	ADDITIONS/ (DELETION)	TOTAL AS AT 30-06-16	TOTAL AS AT 01-07-15	FOR THE YEAR	TOTAL AS AT 30-06-16		
Furniture and fixtures	1,149,417	-	1,149,417	816,037	33,338	849,375	300,042	10
Office equipment	4,543,400	35,000	4,578,400	3,122,219	143,868	3,266,087	1,312,313	10
Computers	2,198,236	65,200	2,263,436	2,025,345	59,227	2,084,572	178,864	30
Vehicles	727,000	-	727,000	627,327	19,935	647,262	79,738	20
<b>RUPEES 2016</b>	8,618,053	100,200	8,718,253	6,590,928	256,368	6,847,296	1,870,957	

-----2015-----								
PARTICULARS	COST			ACCUMULATED DEPRECIATION			NET CARRYING VALUE AS AT 30-06-15	RATE %
	TOTAL AS AT 01-07-14	ADDITIONS/ (DELETION)	TOTAL AS AT 30-06-15	TOTAL AS AT 01-07-14	FOR THE YEAR	TOTAL AS AT 30-06-15		
Furniture and fixtures	1,149,417	-	1,149,417	778,995	37,042	816,037	333,380	10
Office equipment	4,543,400	-	4,543,400	2,964,310	157,909	3,122,219	1,421,181	10
Computers	2,134,886	63,350	2,198,236	1,951,249	74,096	2,025,345	172,891	30
Vehicles	727,000	-	727,000	602,409	24,918	627,327	99,673	20
<b>RUPEES 2015</b>	8,554,703	63,350	8,618,053	6,296,963	293,965	6,590,928	2,027,125	

	NOTE	2016 RUPEES	2015 RUPEES
<b>7. INTANGIBLE ASSETS</b>			
License to Use Rooms	7.1	37,570,000	37,570,000
Membership Cards			
Pakistan Mercantile Exchange Limited		250,000	250,000
Trading Rights Entitlement Certificate			
Pakistan Stock Exchange Limited			
Formerly Lahore Stock Exchange Limited	7.2	3,328,000	3,328,000
		<u>41,148,000</u>	<u>41,148,000</u>

#### 7.1 LICENSE TO USE ROOMS

Pakistan Stock Exchange Limited	5,870,000	5,870,000
Pakistan Mercantile Exchange Limited	2,500,000	2,500,000
Office at NCHS	29,200,000	29,200,000
	<u>37,570,000</u>	<u>37,570,000</u>

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

Pursuant to demutualization, the ownership in a stock exchange has been segregated from the right to trade on the exchange. Therefore the membership cards were replaced by shares in the exchange representing ownership in the exchange and trading rights entitlement certificates (TREC) representing rights to trade in the exchange. As a result 843,975 shares of Rs.10/- each were allotted to the Company out of which 60% of the shares were blocked in a separate account held with CDC and would be sold to strategic investors and general public in future at a price which remains to be finalized, proceeds of which would come to the members, while the remaining 40% were available to members with no condition on their future sale. The Institute of Chartered Accountants of Pakistan in its 'selected opinion' concluded that the demutualization, in substance, had not resulted in exchange of dissimilar assets, and therefore no gain or loss should be recognized and the segregation of ownership rights and the trading rights should be accounted for by allocating the cost/carrying value of the membership card between the two distinct assets on a reasonable basis. The TREC can only be sold or transferred once, however once sold it would not be sellable / transferable again. The transaction is in nature an exchange of an intangible asset (membership card) with a financial asset (shares) together

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

Taking into account the above factors and in the absence of an active market for determining fair value of TREC and shares, the value of the TREC and shares have thus been initially measured at the value of the membership card with which they have been exchanged and subsequently carried at cost. For this purpose, the value of the membership card has first been allocated to shares @ Rs.10/- per share being the par value of shares with the remaining value being allocated to TREC. Resultantly the shares have been recognized at Rs. 7.072 million and TREC at Rs. 3.328 million.

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

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

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



In the letter dated December 18, 2015 reference number SMD/SE/2(7)/2002 SECP the requirements of Base Minimum Capital are defined in light of integration of Stock Exchanges which took immediate effect on date of integration. In the notice dated September 29, 2016 reference number PSX/N-5328 the notional value of the TRE Certificate was Rs. 5 Million for the purposes of Base Minimum Capital. The base minimum capital being maintained by the company is regularly monitored by the SECP. In the notice no. PSX/N-3361 dated May 27, 2016 the Break up Value being used for determining the Base Minimum Capital for LSE shares is Rs. 17.26 based on accounts of 31 December 2015. LSE financial services has further provided bank guarantee to Pakistan Stock Exchange Ltd. from TREC holders Contribution Fund Trust and Investors protection fund Trust towards BMC shortfall of ex-TREC holders of former Lahore Stock Exchange Limited inducted as TREC holder of PSX.

	NOTE	2016 RUPEES	2015 RUPEES
<b>8. LONG TERM INVESTMENTS</b>			
Rs 10 Ordinary shares of Pakistan Stock Exchange Limited:			
337,590 unblocked shares		2,828,800	2,828,800
506,385 blocked shares	7.2	4,243,200	4,243,200
		<u>7,072,000</u>	<u>7,072,000</u>
<b>9. LONG TERM DEPOSITS</b>			
PSX building deposits		423,842	423,842
Security deposits		2,687,304	3,260,795
		<u>3,111,146</u>	<u>3,684,637</u>
<b>10. TRADE DEBTS</b>			
Considered good			
Un-secured			
Local		14,372,047	10,032,533
<b>11. SHORT TERM INVESTMENTS</b>			
Investments classified as 'held for trading'			
Shares of listed companies - at fair value		42,606,236	29,693,073
		<u>42,606,236</u>	<u>29,693,073</u>
		<b>Market Values</b>	
Mari Petroleum Company Ltd - 36,000 (2015: 36,000) Shares		32,695,920	16,869,600
Byco Petroleum Pakiatan Ltd - 120,000 (2015: 105,000) Shares		2,464,800	2,429,700
Fauji Fertilizers Company Ltd - 20,000 (2015: Nil)		2,294,400	-
Engro Fertilizers Ltd - Nil (2015: 32,000)		-	2,838,080
Pace (Pakistan) Limited - 215,000 (2015: 100,000))		1,343,750	729,000
Sui Northern Gas Co Ltd - Nil (2015: 35,000)		-	1,494,500
TRG Pakistan Limited - 30,000 (2015: Nil)		1,006,500	-
Worldcall Telecom Ltd - 200,000 (2015: Nil)		392,000	-
Pak Electron Ltd - Nil (2015: 10,000) Shares		-	827,400
Other Marketable Securities - 46,514 (2015: 94,985) Shares		2,408,866	4,504,792
		<u>42,606,236</u>	<u>29,693,073</u>
		<b>Carrying Values</b>	
Mari Petroleum Company Ltd - 36,000 (2015: 36,000) Shares		16,869,600	14,345,621
Byco Petroleum Pakiatan Ltd - 120,000 (2015: 105,000) Shares		2,536,133	1,402,768
Fauji Fertilizers Company Ltd - 20,000 (2015: Nil)		2,311,316	-
Engro Fertilizers Ltd - Nil (2015: 32,000)		-	2,745,036
Pace (Pakistan) Limited - 215,000 (2015: 100,000))		1,455,960	735,890
Sui Northern Gas Co Ltd - Nil (2015: 35,000)		-	1,349,779
TRG Pakistan Limited - 30,000 (2015: Nil)		947,078	-
Worldcall Telecom Ltd - 200,000 (2015: Nil)		410,361	-
Pak Electron Ltd - Nil (2015: 10,000) Shares		-	657,500
Other Marketable Securities - 46,514 (2015: 94,985) Shares		1,882,128	4,394,707
		<u>26,412,576</u>	<u>25,631,301</u>
Surplus on remeasurment to fair value-net		<u>16,193,660</u>	<u>4,061,772</u>

- 11.1** Unrealised loss on remeasurement of available for sale investments should not have been charged to profit & loss account in previous years. Now this amount has been properly transferred to revenue reserves.

	NOTE	2016 RUPEES	2015 RUPEES
Decrease in profit for the year			4,061,772
<b>12. TAX REFUNDS DUE FROM THE GOVERNMENT</b>			
Income tax		3,921,547	3,859,473
<b>13. ADVANCES AND DEPOSITS</b>			
Advances to employees		263,757	158,200
<b>14. CASH AND BANK BALANCES</b>			
Cash in hand		105,741	102,573
Cash at bank			
Current accounts		31,882,584	39,914,114
PLS Saving account	14.1	1,172	1,150
		31,989,497	40,017,836
<b>14.1</b> Rate of profit on bank deposit is 6 % per annum. (2015: 6%)			
<b>15. OPERATING AND ADMINISTRATIVE EXPENSES</b>			
Directors remunerations	15.1	720,000	720,000
Salaries and other benefits		4,434,542	5,199,009
Travelling and conveyance		7,700	2,000
Utilities		507,570	475,119
Auditors' remuneration		134,000	100,000
Legal and professional charges		10,000	45,000
Fees and subscription		36,000	31,000
NCCPL and CDC service Charges		439,651	265,104
Newspapers and periodicals		5,030	5,120
Printing and stationery		40,047	103,782
Repair and maintenance		160,075	93,365
Postage and telegram		20,544	65,087
Entertainment		611,589	318,168
Rent, rates and taxes		531,076	543,910
Vehicle running and maintenance		322,014	421,500
Computer repair and maintenance		728,500	483,230
Advertisement		-	66,000
Internet expenses		285,575	237,325
Depreciation		256,368	293,965
Expenses against exchange charges		117,222	-
Donations		150,000	96,000
Miscellaneous expenses		339,609	128,997
		9,857,113	9,693,681

### 15.1. REMUNERATION OF CHIEF EXECUTIVE & DIRECTORS

The aggregate amount charged in the accounts during the year for remuneration including benefits to Chief Executive and Directors is as follows:

No. of persons	2016			2015		
	CEO 1	Director 3	Total 4	CEO 1	Director 3	Total 4
	<b>R u p e e s</b>					
Remuneration for services	180,000	540,000	720,000	180,000	540,000	720,000
	<u>180,000</u>	<u>540,000</u>	<u>720,000</u>	<u>180,000</u>	<u>540,000</u>	<u>720,000</u>

No meeting fee has been paid to any director of the company during the year (2015: Rs. Nil).

	NOTE	2016 RUPEES	2015 RUPEES
<b>16. FINANCE COST</b>			
Bank charges		<u>17,046</u>	<u>19,417</u>
<b>17. OTHER INCOME</b>			
Bank Profit		-	48,867
Physical shares conversation charges into CDC		32,195	-
IPO commission		<u>-</u>	<u>42,647</u>
		<u>32,195</u>	<u>91,514</u>
<b>18. TAXATION</b>			
Current		<u>-</u>	<u>2,093,012</u>
<b>19. BASIC AND DILUTED EARNING PER SHARE</b>			
There is no dilutive effect on the basic earning per share of the company.			
(Loss) / profit after taxation		(1,201,813)	15,868,235
Weighted average number of issued shares		<u>2,500,000</u>	<u>2,500,000</u>
Basic (loss) / earning per share (in Rupees)		<u>(0.48)</u>	<u>6.35</u>

### 20. FINANCIAL RISK MANAGEMENT

#### 20.1 Risk management framework

#### 20.2 Financial assets and liabilities by category and their respective maturities

	30 June 2016		30 June 2015	
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year
<b>Financial Assets</b>				
Long term Investments	-	7,072,000	-	7,072,000
Long term deposits	-	3,111,146	-	3,684,637
Trade debts	14,372,047	-	10,032,533	-
Short term investments	42,606,236	-	29,693,073	-
Advances and deposits	263,757	-	158,200	-
Tax refunds due from the Government	3,921,547	-	3,859,473	-
Cash and bank balances	31,989,497	-	40,017,836	-
	<u>93,153,084</u>	<u>10,183,146</u>	<u>83,761,115</u>	<u>10,756,637</u>
<b>Financial liabilities</b>				
Trade and other payables	25,521,863	-	31,851,400	-
	<u>25,521,863</u>	<u>-</u>	<u>31,851,400</u>	<u>-</u>



### 20.3 Fair Values

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

### 20.4 Financial Risk Factors

The Company has exposures to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

#### 20.4.1 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 to account 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 economic, political, or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit worth counterparties thereby mitigating any significant concentrations of credit risk.

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, short term loans, deposits, short term investments 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, as specified below:-

	2016	2015
	RUPEES	RUPEES
Long term investments	7,072,000	7,072,000
Long term deposits	3,111,146	3,684,637
Trade debts	14,372,047	10,032,533
Short term investments	42,606,236	29,693,073
Advances and prepayments	263,757	158,200
Bank balances	31,883,756	39,915,263
	<u>99,308,942</u>	<u>90,555,706</u>

No provision has been made against trade debts as these are considered good.



#### 20.4.2 LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of 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 Maturity up to One Year RUPEES	2015 Maturity up to One Year RUPEES
Trade and other payables	25,521,863	31,851,400
	<u>25,521,863</u>	<u>31,851,400</u>

It is not expected that the cash flow included in the maturity analysis could occur significantly earlier or at significantly different amounts.

#### 20.4.3 MARKET RISK

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

##### 21. Foreign Exchange Risk Management

Currency Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is not significantly exposed to currency risk as the company does not maintain bank accounts in foreign currencies.

##### 21.1. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and entering into interest rate swap contracts. The company's interest rate risk arises from short term cash finance facility. The company analyzes its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account various other financing options available.

##### 21.2 Price Risk

Price risk represents the risk that fair value of financial instrument will fluctuate because of changes in the market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factor 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. 29.693 Million (2015: Rs. 26.499 Million) at the balance sheet date. The company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

##### 21.3 CAPITAL RISK MANAGEMENT

The company's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; 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	21	21
Average number of employees during the year	21	22

## 23. GENERAL

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

Current	Previous
Property, plant & equipment	Property and equipment
Trade debts	Trade debts - unsecured and considered good
Operating and administrative expenses	Administrative expenses
Utilities	electricity & power expenses
Short term investments	Financial asset
Tax refunds due from the Government	Taxation - net
Long term deposits	Long term security deposits
PSX building deposits	LSE building deposits
Pakistan Stock Exchange Limited	Lahore Stock Exchange Limited

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

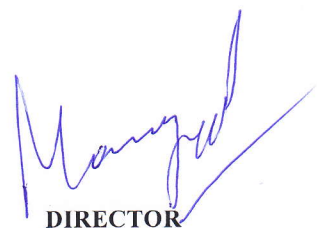
Account head	Previous	Current
Gain on remeasurment on short term investment (Rs. 16,193,660/-)	Other Income	Other comprehensive income
L.S.E - IPF service charges etc (Rs. 1,304/-)	Operating expenses -Seprate line item	Operating and administrative expenses -NCCPL and CDC service Charges
CDC service charges (Rs. 129,306/-)	Operating expenses -Seprate line item	Operating and administrative expenses -NCCPL and CDC service Charges
NCCPL charges (Rs. 134,494/-)	Operating expenses -Seprate line item	Operating and administrative expenses -NCCPL and CDC service Charges
Directors remuneration (Rs. 720,000/-)	Administrative expenses Salaries & other benefits	Operating and administrative expenses -Seprate line item
Telephone expenses (Rs. 272,088/-)	Administrative expenses Telephone expenses	Operating and administrative expenses Utilities

**24. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue on September 28, 2016 by the Board of Directors of the company.

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

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**