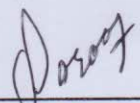



**FDM CAPITAL SECURITIES (PRIVATE) LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2016**

	Notes	2016 Rupees	2015 Rupees
<b>NON CURRENT ASSETS</b>			
Property and equipment	4	17,788,461	19,823,401
Intangible assets	5	9,170,850	9,170,850
Investment-available for sale	6	21,829,150	21,829,150
Long term investment	7	1,473,014	1,473,014
Long term deposit	8	4,215,800	4,215,800
		<u>54,477,275</u>	<u>56,512,215</u>
<b>CURRENT ASSETS</b>			
Trade debtors - Considered good and secured		90,170,743	96,497,225
Short term investments	9	242,739,174	233,447,258
Advances, deposits, prepayments and other receivables	10	10,016,548	12,047,088
Cash and bank balances	11	39,848,888	98,141,726
		<u>382,775,353</u>	<u>440,133,297</u>
		<u>437,252,628</u>	<u>496,645,512</u>
<b>EQUITIES AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorized Capital			
1,500,000 (2015: 1,500,000) ordinary shares of Rs. 100/ each		<u>150,000,000</u>	<u>150,000,000</u>
Issued subscribed and paid up capital			
1,300,000 (2015: 1,300,000) ordinary shares of Rs. 100/- each fully paid in cash		130,000,000	130,000,000
Retained earnings		159,831,797	176,805,045
		<u>289,831,797</u>	<u>306,805,045</u>
<b>LONG TERM LIABILITIES</b>			
Directors' loan	12	2,500,000	2,500,000
Deferred tax	13	3,276,310	2,892,132
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	41,165,319	99,919,335
Short term running finance	15	99,856,762	84,529,000
Markup accrued		622,440	-
		<u>141,644,521</u>	<u>184,448,335</u>
Contingencies and commitments	16	-	-
		<u>437,252,628</u>	<u>496,645,512</u>

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

Mr

  
 CHIEF EXECUTIVE

  
 DIRECTOR

**FDM CAPITAL SECURITIES (PRIVATE) LIMITED  
 PROFIT & LOSS ACCOUNT  
 FOR THE YEAR ENDED JUNE 30, 2016**

	Notes	2016 Rupees	2015
Operating revenue	17	53,045,826	51,329,120
Capital gain/(loss) on investment-net		(9,505,630)	72,964,995
		<u>43,540,196</u>	<u>124,294,115</u>
<b>Operating expenses</b>			
Administrative expenses	18	52,910,327	42,613,789
Finance cost	19	5,983,601	5,338,632
		<u>(58,893,928)</u>	<u>(47,952,421)</u>
Operating profit		<u>(15,353,732)</u>	<u>76,341,694</u>
Other income	20	55,869	213,216
(loss)/profit before taxation		<u>(15,297,863)</u>	<u>76,554,910</u>
Taxation	21	3,778	(7,458,197)
(loss)/profit after taxation		<u><u>(15,294,085)</u></u>	<u><u>69,096,713</u></u>

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

*Mr*

  
 CHIEF EXECUTIVE

  
 DIRECTOR

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

	<u>2016</u>	<u>2015</u>
	<u>Rupees</u>	
Profit after taxation	(15,294,085)	69,096,713
Surplus/(deficit) on revaluation of short term investments designated as AFS- net of deferred tax	(1,100,738)	7,609,278
Impact of rate change on deferred tax liability	(578,425)	
Total comprehensive income for the year transferred to Equity	<u>(16,973,248)</u>	<u>76,705,991</u>

The annexed notes form an integral part of these financial statements

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CHIEF EXECUTIVE

*[Signature]*

DIRECTOR

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

	Share Capital	Unappropriated Profit Rupees	Total
Balance as at July 1, 2014	130,000,000	100,099,054	230,099,054
Comprehensive income for the year	-	76,705,991	76,705,991
Balance as at June 30, 2015	<u>130,000,000</u>	<u>176,805,045</u>	<u>306,805,045</u>
Balance as at July 01, 2015	130,000,000	176,805,045	306,805,045
Comprehensive income for the year	-	(16,973,248)	(16,973,248)
Balance as at June 30, 2016	<u>130,000,000</u>	<u>159,831,797</u>	<u>289,831,797</u>

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

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\_\_\_\_\_  
CHIEF EXECUTIVE

  
\_\_\_\_\_  
DIRECTOR



**FDM CAPITAL SECURITIES (PRIVATE) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	2016	2015
	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	(15,297,863)	76,554,910
Adjustment for:		
Depreciation	2,073,041	2,360,803
Finance cost	5,983,601	5,338,632
Cash generated from operating activities before working capital changes	<u>(7,241,221)</u>	<u>84,254,345</u>
<b>Effect of Cash flow due to working capital changes</b>		
(Increase) /decrease in current assets		
Trade debtors	6,326,482	18,495,695
Advances, deposits, prepayments and other receivable	8,876,948	28,897,022
	15,203,430	47,392,717
Increase /(decrease) in current liabilities		
trade and other payables	<u>(58,754,016)</u>	<u>(31,891,254)</u>
Cash (used in) / generated from operations	<u>(50,791,807)</u>	<u>99,755,808</u>
Finance cost paid	(5,361,161)	(5,338,632)
Tax paid	(6,842,630)	(5,534,365)
<b>Net cash generated from operating activities</b>	<u>(62,995,598)</u>	<u>88,882,811</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Purchase)/sale of short term investments - net	<u>(10,625,002)</u>	<u>(69,265,541)</u>
Net cash used in investing activities	<u>(10,625,002)</u>	<u>(69,265,541)</u>
Net increase in cash and cash equivalents during the year	<u>(73,620,600)</u>	<u>19,617,270</u>
Cash and cash equivalents at beginning of the year	<u>13,612,726</u>	<u>(6,004,544)</u>
	<u>(60,007,874)</u>	<u>13,612,726</u>
Cash and cash equivalents comprises of the followings:		
Cash and bank balances	39,848,888	98,141,726
Short term borrowings	<u>(99,856,762)</u>	<u>(84,529,000)</u>
	<u>(60,007,874)</u>	<u>13,612,726</u>

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

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**CHIEF EXECUTIVE**

*Handwritten signature*

**DIRECTOR**

**FDM CAPITAL SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**1 STATUS AND ACTIVITIES**

FDM Capital Securities (Private) Limited ("the Company") was incorporated under the Companies Ordinance, 1984 on 29th July 2001 as a private limited company. The Company is a corporate member of Pakistan Stock Exchange Limited. The registered office of the company is situated at room no. 622, Stock Exchange Building, Karachi Stock Exchange Road, Karachi. The principal activities include trading and brokerage for equities, underwriting of public issues, etc. The company has also acquired membership of the Pakistan Mercantile Exchange Limited and Dubai Gold & Commodities Exchange.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except 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.





### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 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 date asset is available for use and on disposals upto the date of disposal.

#### **3.2 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.

##### **Trading Rights Entitlement (TRE) Certificate**

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 five 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.

### **3.3 Impairment of non-financial assets**

Assets that are subject to depreciation/amortisation are 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.

### **3.4 Financial assets**

#### **3.4.1 Classification**

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### **a) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'trade deposits and other receivables' and 'cash and cash equivalents' in the balance sheet.

##### **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-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

##### **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 classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

#### **3.4.2 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. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial 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.

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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.

#### **3.4.3 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.

The carrying amount of the company's investment carried at cost are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exist, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Impairment losses are recognized in profit and loss account.

#### **3.5 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.

#### **3.6 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.

#### **3.7 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.

#### **3.8 Cash and cash equivalents**

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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### 3.9 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.

### 3.10 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.

### 3.11 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.

### 3.12 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.

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### **3.13 Provisions**

Provisions are recognized when the Company has a present 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 of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

### **3.14 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.

### **3.15 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.

### **3.16 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.

### **3.17 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. Borrowing costs includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.





#### 4 PROPERTY AND EQUIPMENT

	Furniture and Fixture	Office Equipment	Vehicles	Computers	Office Premises	Total
<b>At June 30, 2014</b>						
Cost	462,735	2,114,307	4,403,260	5,569,002	36,175,040	96,985,953
Accumulated depreciation	(297,179)	(1,088,609)	(3,810,004)	(5,153,717)	(16,190,630)	(52,783,099)
Net book value	<u>165,556</u>	<u>1,025,698</u>	<u>593,256</u>	<u>415,285</u>	<u>19,984,410</u>	<u>44,202,854</u>
<b>Year ended June 30, 2015</b>						
Opening net book value	165,556	1,025,698	593,256	415,285	19,984,410	44,202,854
Additions / Transferred	-	-	-	-	-	-
Disposals / Transferred	-	-	-	-	-	-
Depreciation charge	(16,556)	(102,570)	(118,651)	(124,586)	(1,998,441)	(4,705,051)
Closing net book value	<u>149,000</u>	<u>923,128</u>	<u>474,605</u>	<u>290,700</u>	<u>17,985,969</u>	<u>39,497,803</u>
<b>At June 30, 2015</b>						
Cost	462,735	2,114,307	4,403,260	5,569,002	36,175,040	48,724,344
Accumulated depreciation	(313,735)	(1,191,179)	(3,928,655)	(5,278,303)	(18,189,071)	(28,900,943)
Net book value	<u>149,000</u>	<u>923,128</u>	<u>474,605</u>	<u>290,700</u>	<u>17,985,969</u>	<u>19,823,401</u>
<b>Year ended June 30, 2016</b>						
Opening net book value	149,000	923,128	474,605	290,700	17,985,969	19,823,401
Additions / Transferred	-	53,001	-	-	-	53,001
Depreciation charge	(14,900)	(92,313)	(94,921)	(87,210)	(1,798,597)	(2,073,041)
Closing net book value	<u>134,100</u>	<u>883,816</u>	<u>379,684</u>	<u>203,490</u>	<u>16,187,372</u>	<u>17,788,461</u>
<b>At June 30, 2016</b>						
Cost	462,735	2,167,308	4,403,260	5,569,002	36,175,040	48,777,345
Accumulated depreciation	(328,635)	(1,283,492)	(4,023,576)	(5,365,513)	(19,987,668)	(30,988,884)
Net book value	<u>134,100</u>	<u>883,816</u>	<u>379,684</u>	<u>203,489</u>	<u>16,187,372</u>	<u>17,788,461</u>
Annual rates of depreciation	10%	10%	20%	30%	10%	

5 INTANGIBLE ASSETS	Notes	2016	2015
		Rupees	
Membership card - Pakistan Mercantile Exchange Ltd	5.1	1,000,000	1,000,000
Software	5.2	-	-
Trading Rights Entitlement (TRE) Certificate	6	8,170,850	8,170,850
		<u>9,170,850</u>	<u>9,170,850</u>

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

5.2 Software	Notes	2016	2015
		Rupees	
Acquisition cost		3,606,820	3,606,820
Accumulated balance of amortization	5.2.1	(3,606,820)	(3,606,820)
		<u>-</u>	<u>-</u>

5.2.1 This represents fully amortised trading software.

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6	INVESTMENT-AVAILABLE FOR SALE	Notes	2016	2015
			Rupees	
	Investment in shares of Karachi Stock Exchange Limited		<u>21,829,150</u>	<u>21,829,150</u>

Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act 2012 (ACT). The ownership in a stock exchange has been segregated from the right to trade on the exchange. Accordingly, the Company has received equity shares of Pakistan Stock Exchange limited (PSX) and a Trading Right Entitlement Certificate (TREC) in lieu of its membership card of KSE.

According to the ACT, the TRE Certificate may only be transferred once to a company intending to carry out shares brokerage business in the manner to be prescribed. Upto December 31, 2019, a Stock Exchange shall offer for issuance of 15 TRE Certificate each year in the manner prescribed. After 2019, no restriction shall be placed on issuance of TRE Certificate.

As per the arrangements the authorized and paid-up capital of PSX is Rs. 10,000,000,000 and Rs. 8,014,766,000 respectively with a par value of Rs. 10 each. The paid-up capital of PSX is equally distributed among 200 members of PSX by issuance of 4,007,383 shares to each member in the following manner:

- 40% of the total shares allotted (i.e. 1,602,953 shares) are transferred in the House Account - CDC of each initial shareholder;
- 60% of the total shares (i.e. 2,404,430 shares) have been deposited in a sub-account in Company's name under PSX's participant ID with CDC which will remain blocked until they are divested to strategic investor(s), general public and financial institutions.

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

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

The cost /book value of the KSE membership card amounts to Rs. 30 million as at June 30,2013. In the absence of an active market of the shares of KSE and TREC, the fair value of both the asset transferred and asset obtained can not be determined with reasonable accuracy. The allocation of the carrying value of the membership card between the shares (financial asset) and TREC (an intangible asset) has been made by the Company on the basis of the face value of ordinary shares and the TREC value assigned by the KSE for minimum capital requirement purposes applicable to the stock exchange brokers currently.

During the year PSX, through a notice, instructed all TRE Certificate holders to maintain / comply with Base Minimum Capital (BMC) requirement under Regulations Governing Risk Management of PSX ("the Regulations") in the form calculated in the schedule – 1 to the above Regulations. Total BMC requirement determined by the Board of Directors of PSX in their meeting held on 10 December 2012 was Rs. 30.955 million for each individual TRE certificate holder. Accordingly, the Company has complied with the above requirement in the following manner:

- Creating mortgage or charge over TRE Certificate amounting to Rs. 15 million being notional value assigned / decided by PSX.
- Pledging / Lien marked over 40% shares (No. of shares: 1,602,953) of PSX amounting to Rs. 15.955 million.





7	LONG TERM INVESTMENT - COST	2016	2015
		Rupees	
	Value at acquisition	2,000,000	2,000,000
	Less: Provision for impairment	(526,986)	(526,986)
		<u>1,473,014</u>	<u>1,473,014</u>

This represent the investment in unquoted shares of Dawood Family Takaful Limited. The Company carried out impairment testing during the prior year and reduced its Investment in DFTL to recoverable amount based on breakup value of investee's company shares.

8	LONG TERM DEPOSIT	2016	2015
		Rupees	
	Pakistan Stock Exchange Ltd	500,000	500,000
	Central Depository Company of Pakistan Ltd	100,000	100,000
	National Clearing Company of Pakistan Ltd	100,000	100,000
	Pakistan Mercantile Exchange Ltd	2,500,000	2,500,000
	Dubai Gold and Commodity Exchange	315,800	315,800
	Online trading deposit	500,000	500,000
	Future trading initial deposit	100,000	100,000
	Other deposits	100,000	100,000
		<u>4,215,800</u>	<u>4,215,800</u>

9	SHORT TERM INVESTMENTS		
	Investment in Listed Securities	242,739,174	233,447,258
	<b>Designated as Available for sale</b>		
	Cost	220,897,105	210,310,203
	Surplus on revaluation of investment		
	Opening	23,137,055	12,635,645
	Remeasurement gain/(loss) during the period	(1,294,986)	10,501,410
		<u>21,842,069</u>	<u>23,137,055</u>
		<u>242,739,174</u>	<u>233,447,258</u>

10	ADVANCE, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
	Income tax refundable	10.1 9,143,496	2,297,088
	Exposure deposit - PSX	-	5,000,000
	Advance against IPO	-	4,750,000
	Other Receivables	873,052	-
		<u>10,016,548</u>	<u>12,047,088</u>
	10.1 Opening Balance	2,297,088	9,755,285
	Add: Tax paid	6,842,630	
	Provision for tax	(1,849,354)	(7,458,197)
	Prior year tax	1,853,132	-
		<u>3,778</u>	<u>(7,458,197)</u>
		<u>9,143,496</u>	<u>2,297,088</u>

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	2016	2015
	Rupees	
<b>11 CASH AND BANK BALANCES</b>		
Cash at bank		
- current account	39,725,072	97,996,808
saving account	11.1 123,816	144,918
	<u>39,848,888</u>	<u>98,141,726</u>
11.1 This amount carries markup @ of 4.5% to 6% per annum.		
<b>12 DIRECTORS' LOAN</b>		
Directors' loan	<u>2,500,000</u>	<u>2,500,000</u>
This represent long term unsecured and interest free loan from sponsoring directors. Amortisation of loan in accordance to recent pronouncement of ICAP will not materially impact financial statements.		
<b>13 DEFERRED TAX</b>		
Deferred tax has been worked out by applying a rate of 15 % (2015: 12.5%) on temporary difference existing on Available for sale Investments (Capital gain tax as per section 37 A of IT Ordinance 2001).		
<b>14 TRADE AND OTHER PAYABLES</b>		
Creditors	38,449,028	97,871,926
Accrued expenses and other payables	2,716,291	2,047,409
	<u>41,165,319</u>	<u>99,919,335</u>
<b>15 SHORT TERM RUNNING FINANCE</b>		
Bank Overdraft	<u>99,856,762</u>	<u>84,529,000</u>
The Company has obtained finance facility of Rs 100 million from Habib Metropolitan Bank for working capital requirements. Mark up is accrued @ 3 month KIBOR + 3% per annum. The arrangement is secured against pledge of shares with 40% margin..		
<b>16 CONTINGENCIES AND COMMITMENTS</b>		
16.1 No provision for Workers' Welfare Fund has been made in these financial statements in the light of judgment laid down by High Court of Lahore in the case of E.P.C.T. (Pvt.) Ltd. Versus Federation of Pakistan, etc. (W.P. No.8763/2011). The Court has held that amendments made in Workers' Welfare Fund Ordinance, 1971 through Finance Acts, 2006 and 2008 were unconstitutional. Had the provision been made, the same would have been recorded at nil owing to tax and accounting losses this year (2015:2,2135,02).		
16.2 In respect of tax years 2012 and 2013, Deputy Commissioner Inland Revenue has imposed Federal Excise Duty amounting to Rs 8,690,625/- vide its order dated June 29, 2015. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) and obtained a stay order from the Honorable Sindh High Court in this regard.		
16.3 There are no commitments as at 30 June 2016 (2015: Nil)		
<b>17 OPERATING REVENUE</b>	2016	2015
	Rupees	
Commission income	36,596,086	38,991,733
Dividend income	16,449,740	12,337,387
	<u>53,045,826</u>	<u>51,329,120</u>

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		2016	2015
		Rupees	
<b>18</b>	<b>ADMINISTRATIVE EXPENSE</b>		
	Directors' remuneration	18.1 3,396,000 ✓	3,396,000 ✓
	Salaries, benefits and allowances	8,550,522 ✓	7,532,562 ✓
	Legal and professional charges	203,000 ✓	105,000 ✓
	CDC charges	3,019,538 0	2,473,503
	PSX and SECP charges	1,566,994 0	1,853,882
	Commission to dealers	21,221,374 ✓	16,860,948 ✓
	Printing and stationery	206,328 ✓	344,457 ✓
	Auditor's remuneration	18.2 275,000 ✓	275,000 ✓
	Rent, rates and taxes	5,150,650 ✓	45,493 ✓
	Electricity charges	1,615,179 ✓	757,283 ✓
	Entertainment expenses	233,480 0	118,644
	Repair and maintenance	986,913 ✓	1,371,359 ✓
	Communication expense	3,673,834 ✓	4,110,020 ✓
	Depreciation	2,073,041 0	2,360,803
	General expense	738,474 0	1,008,835
		<u>52,910,327</u>	<u>42,613,789</u>

18.1	Chief Executive		Director		Total	
	2016	2015	2016	2015	2016	2015
	Rupees					
	1,358,400	1,358,400	1,358,400	1,358,400	2,716,800	2,716,800
	339,600	339,600	339,600	339,600	679,200	679,200
	<u>1,698,000</u>	<u>1,698,000</u>	<u>1,698,000</u>	<u>1,698,000</u>	<u>3,396,000</u>	<u>3,396,000</u>

		2016	2015
		Rupees	
<b>18.2</b>	<b>Audit remuneration</b>		
	Statutory auditors remuneration	200,000	200,000
	Certification and advisory services	75,000	75,000
		<u>275,000</u>	<u>275,000</u>

		2016	2015
<b>19</b>	<b>FINANCE COST</b>		
	Bank charges	108,172	33,677
	Markup on short term borrowings	5,875,429	5,304,955
		<u>5,983,601</u>	<u>5,338,632</u>

		2016	2015
<b>20</b>	<b>OTHER INCOME</b>		
	Profit on margin deposit	55,869 ✓	213,216

		2016	2015
<b>21</b>	<b>TAXATION</b>		
	Current tax	21.1 1,849,354	7,458,197
	Prior year tax	(1,853,132)	-
		<u>(3,778)</u>	<u>7,458,197</u>



	2016	2015
	Rupees	
21.1 Minimum tax	365,961	389,917
Tax on Dividend	1,483,393	1,048,361
Tax on Capital gain	-	6,019,919
	<u>1,849,354</u>	<u>7,458,197</u>

Tax expense reconciliation with accounting profit/(loss) is as follows:

Accounting profit before tax	(15,297,863)	76,554,910
Tax at domestic rate 32% (2015: 33%)	(4,895,316)	25,263,120
Tax effect of exempt income	-	(8,885,858)
Tax effect of income subject to lower tax	(1,188,204)	(6,406,204)
Tax effect of income under Final Tax Regime	(1,483,393)	(2,902,778)
Tax effect of expenses disallowed	5,344,042	-
Minimum tax	365,961	-
Prior year tax	1,853,132	389,917
	<u>(3,778)</u>	<u>7,458,197</u>

## 22 FINANCIAL RISK MANAGEMENT

### 22.1 Financial Risk Factors

The Company is exposed to a variety of financial risks including interest rate risk, price risk, credit rate risk and liquidity risk. The Company's overall risk management programme 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.

##### 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. 233.447 million (2014: Rs. 153.680 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, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

### Sensitivity analysis

The table below summarizes Company's equity price risk as of 30 June 2016 and 2015 and shows the effects of a hypothetical 10% increase in market prices as at the year end 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	Hypothetical increase (decrease) in profit / (loss) after tax
June 30, 2016	Rupees	242,739,174	10% increase 10% decrease	267,013,091 218,465,257	24,273,917 (24,273,917)	24,273,917 (24,273,917)
June 30, 2015	Rupees	233,447,258	10% increase 10% decrease	256,791,984 210,102,532	23,344,726 (23,344,726)	23,344,726 (23,344,726)

### 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.

Financial assets and liabilities include balances of Rs. 372,758,804 (2015: Rs. 428,026,926) and Rs. 144,144,521 (2015: Rs. 186,948,835 ) respectively, which are subject to interest / markup rate risk. Applicable interest / mark-up rates for financial assets and liabilities have been indicated in respective notes.

### 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.

At the reporting date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2016 Effective Interest rate (%)		2015 Carrying Amounts	
<b>Financial Liabilities</b>				
Short term Borrowing	7% to 9%	11% to 13%	99,856,762	84,529,000
<b>Financial Assets</b>				
Bank deposits- PLS account	4% to 6%	6% to 11%	123,816	144,918

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:

		2016	2015
	Note	Rupees	Rupees
Long term investment		1,473,014	1,473,014
Long term deposits	8	4,215,800	4,215,800
Trade debtors - Considered good and unsecured		90,170,743	96,497,225
Advances, deposits and other receivable	10	10,016,548	12,047,088
Cash and bank balances	11	39,848,888	98,141,726
		<u>145,724,993</u>	<u>212,374,853</u>

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.

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## 22.2 Fair value estimate

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the company are the current bid prices.

The carrying value less impairment provision (if any) of trade receivables and other receivables, and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

The classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. This classification uses the following three-level hierarchy:

- 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).

The company held the following financial instrument measurement at fair value :

June 30,2016	Level 1	Level 2	Level 3	Total
	.....Amount in Rs.....			
<b>Financial Assets</b>				
<b>Available for Sale</b>	242,739,174		21,829,150	264,568,324
<b>Recoverable Amount</b>		1,473,014		
June 30,2015	Level 1	Level 2	Level 3	Total
	.....Amount in Rs.....			
Financial Assets				
Available for Sale	233,447,258		21,829,150	255,276,408
Recoverable Amount		1,473,014		

## 22.3 Financial instruments by category

As at June 30, 2016	Amounts in Rupees			Total
	Available for sale	Loans, receivables and deposits	Cash and bank	
Financial assets as per balance sheet				
Trade debts	-	90,170,743	-	90,170,743
Short term investment	242,739,174	-	-	242,739,174
Cash and bank balances	-	-	39,848,888	39,848,888
	<u>242,739,174</u>	<u>90,170,743</u>	<u>39,848,888</u>	<u>372,758,805</u>

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As at June 30, 2016	liabilities at amortized cost
Financial liabilities as per balance sheet	
Directors' loan	2,500,000
Trade & other payables	41,165,319
Short term borrowings	99,856,762
	<u>143,522,081</u>

As at June 30, 2015	Available for sale	Loans, receivables and deposits	Cash and bank	Total
Financial assets as per balance sheet				
Trade debts	-	96,497,225	-	96,497,225
Short term investment	233,447,258	-	-	233,447,258
Cash and bank balances	-	-	98,141,726	98,141,726
	<u>233,447,258</u>	<u>96,497,225</u>	<u>98,141,726</u>	<u>428,086,209</u>

As at June 30, 2015	Financial liabilities at amortized cost
Financial liabilities as per balance sheet	
Directors' loan	2,500,000
Trade & other payables	99,919,335
Short term borrowings	84,529,000
	<u>186,948,335</u>

## 23 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.

## 24 CORRESPONDING FIGURES

The comparative figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison in the financial statements.

25 NUMBER OF EMPLOYEES	2016	2015
Number of employees	<u>35</u>	<u>37</u>
Average number of employees	<u>36</u>	<u>37</u>

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26 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on  
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27 GENERAL

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

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CHIEF EXECUTIVE

  
\_\_\_\_\_  
DIRECTOR