

### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of DR. ARSLAN RAZAQUE SECURITIES (PRIVATE) LIMITED (FORMERLY DR. ARSLAN RAZAQUE SECURITIES (SMC-PRIVATE) LIMITED) ("the Company") as at June 30, 2017 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and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- (a) in our opinion, proper books of account have been kept by the company as required by the repealed Companies Ordinance, 1984;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the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;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 repealed 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, 2017 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to the fact that comparative financial statements for the year ended June 30, 2016 were audited by another firm of Chartered Accountants who gave unqualified opinion.

Date: October 05, 2017  
Lahore:

  
Parker Randall - A.J.S.  
Chartered Accountants  
Engagement Partner: Faisal Iqbal Khawaja



**DR. ARSLAN RAZAQUE SECURITIES (PVT) LIMITED**  
**FORMERLY (DR. ARSLAN RAZAQUE SECURITIES (SMC-PVT) LIMITED)**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2017**

		2017	2016			2017	2016
	NOTE	Rupees	Rupees		NOTE	Rupees	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	7	2,224,172	2,489,885
10,000,000 (2016:10,000,000) ordinary				Operating fixed assets	8	44,000,000	70,560,250
shares of Rs. 10 each		<u>100,000,000</u>	<u>100,000,000</u>	Intangible assets		<u>46,224,172</u>	<u>73,050,135</u>
Issued, subscribed and paid up	4	87,500,000	87,500,000				
Reserves				Long term investment	9	8,439,750	8,439,750
Revenue				Long term deposits	10	1,083,900	1,983,900
Accumulated profit		<u>35,604,904</u>	<u>54,938,327</u>				
		<u>123,104,904</u>	<u>142,438,327</u>				
<b>CURRENT LIABILITIES</b>				<b>CURRENT ASSETS</b>			
Trade and other payables	5	2,582,986	1,850,298	Trade debts	11	16,996,849	15,596,150
Provision for taxation		-	-	Short term investments	12	35,949,256	28,667,878
		<u>2,582,986</u>	<u>1,850,298</u>	Tax refunds due from the Government		97,380	93,714
		<u>-</u>	<u>-</u>	Cash and bank balances	13	16,896,583	16,457,098
		<u>2,582,986</u>	<u>1,850,298</u>			<u>69,940,068</u>	<u>60,814,840</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	6	-	-			<u>125,687,890</u>	<u>144,288,625</u>
		<u>125,687,890</u>	<u>144,288,625</u>				

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

*M. Anwar Khan*  
**CHIEF EXECUTIVE**

*Rebeca La*  
**DIRECTOR**



**DR. ARSLAN RAZAQUE SECURITIES (PVT) LIMITED**  
**FORMERLY (DR. ARSLAN RAZAQUE SECURITIES (SMC-PVT) LIMITED)**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	NOTE	2017 Rupees	2016 Rupees
Operating revenue	14	2,395,028	1,351,433
Capital gain on sale of investments - net		5,104,824	5,462,248
		<u>7,499,852</u>	<u>6,813,681</u>
Operating and administrative expenses	15	(1,562,527)	(1,603,687)
Operating profit		5,937,325	5,209,994
Finance cost	16	(7,500)	(11,130)
Other income	17	236,449	363,146
Other charges	18	(27,460,250)	-
Profit /(Loss) before taxation		<u>(21,293,976)</u>	<u>5,562,010</u>
Taxation	19	(216,000)	(4,633)
Profit / (Loss) after taxation		<u>(21,509,976)</u>	<u>5,557,377</u>
Earning / (Loss) per share basic and diluted	20	<u>(2.210)</u>	<u>0.400</u>

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

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**



**DR. ARSLAN RAZAQUE SECURITIES (PVT) LIMITED**  
**FORMERLY (DR. ARSLAN RAZAQUE SECURITIES (SMC-PVT) LIMITED)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	NOTE	2017 Rupees	2016 Rupees
Profit /(Loss) after taxation		(21,509,976)	5,557,377
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss account			
Unrealized (loss) / gain on remeasurement of short term investment		2,176,553	(2,053,003)
Total comprehensive income/(loss)		(19,333,423)	3,504,374

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

*Iskander Mehmood*  
**CHIEF EXECUTIVE**



*Rahim Saif*  
**DIRECTOR**

**DR. ARSLAN RAZAQUE SECURITIES (PVT) LIMITED**  
**FORMERLY (DR. ARSLAN RAZAQUE SECURITIES (SMC-PVT) LIMITED)**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2017**

PARTICULARS	SHARE CAPITAL	REVENUE RESERVES	TOTAL
		ACCUMULATED PROFIT	
	<b>RUPEES</b>		
<b>BALANCES AS AT JULY 01, 2015</b>	87,500,000	51,433,953	138,933,953
Total comprehensive income for the year	-	3,504,374	3,504,374
<b>BALANCES AS AT JUNE 30, 2016</b>	87,500,000	54,938,327	142,438,327
Total comprehensive loss for the year	-	(19,333,423)	(19,333,423)
<b>BALANCES AS AT JUNE 30, 2017</b>	87,500,000	35,604,904	123,104,904

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

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**



**DR. ARSLAN RAZAQUE SECURITIES (PVT) LIMITED**  
**FORMERLY (DR. ARSLAN RAZAQUE SECURITIES (SMC-PVT) LIMITED)**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	2017 RUPEES	2016 RUPEES
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	(21,293,976)	5,562,010
Adjustment for non cash / non operating items:		
Depreciation	265,713	296,831
Impairment	27,460,250	-
Capital gain	(5,104,824)	(5,462,248)
	22,621,139	(5,165,417)
<b>Operating cash flows before working capital changes</b>	1,327,163	396,593
Changes in working capital		
(Increase) / decrease in current assets		
Trade debts	(1,400,699)	(577,409)
Short term investments	-	-
Increase / (decrease) in current liabilities		
Trade & other payables	732,688	(1,458,361)
	(668,012)	(2,035,770)
<b>Cash used in operations</b>	659,151	(1,639,177)
Income tax paid	(219,666)	(35,420)
<b>Net cash used in operating activities</b>	439,485	(1,674,597)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Operating fixed assets	-	(22,300)
<b>Net cash (used in) / generated from investing activities</b>	-	(22,300)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net cash flows from financing activities	-	-
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	439,485	(1,696,897)
<b>Cash and cash equivalents at the beginning of the year</b>	16,457,098	18,153,995
<b>Cash and cash equivalents at the end of the year</b>	16,896,583	16,457,098

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

  
**CHIEF EXECUTIVE**



  
**DIRECTOR**



**DR. ARSLAN RAZAQUE SECURITIES (PVT) LIMITED**  
**FORMERLY (DR. ARSLAN RAZAQUE SECURITIES (SMC-PVT) LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**1. Status and nature of business**

The company has been incorporated as a single member private limited company in Pakistan on October 06, 2005. The company is a Trading Rights Entitlement Certificate Holder of Pakistan Stock Exchange Limited (Formerly: Lahore Stock Exchange Limited). The registered office of the company is situated at 1 C, Model Town, Lahore. It is principally engaged in the business of brokerage, buying and selling of stocks, shares, modarba certificate etc.

During the year the company converted its status from (SMC- Pvt Limited) to (Private Limited) in compliance to the regulations.

**2. Basis of preparation**

**2.1. Statement of compliance**

During the year, the Companies Act 2017 ("the Act") has been promulgated, however, Securities and Exchange Commission of Pakistan vide its Circular No. CLD/CCD/PR(11)/2017 dated July 20, 2017 communicated that the Commission has decided that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board (IASB) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. Wherever, the requirements of the repealed Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these

**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

**2.4. New standards, amendments to approved accounting standards and new interpretations**

New standards and amendments/interpretations to exiting 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:

<u>Standard or Interpretation</u>	<u>Effective Date</u> (Annual periods beginning on or after)
IFRS 14 Statement of Cash Flows (Amendments)	January 1, 2017
IAS 12 Income Taxes (Amendments)	January 1, 2017
IFRS 2 Share Based Payments	January 1, 2018
IAS 40 Investment Property	January 1, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2018
IFRS 12 Disclosure of Interest in other Entities	January 1, 2017
IAS 28 Investment in Associates and Joint Ventures	January 1, 2018

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



## **2.5. Use of estimate and 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 and equipment etc. 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.

### **3.1. Property and equipment**

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

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in profit and loss account.

### **3.2. Intangible assets**

These include membership cards, license to use rooms and trading rights entitlement certificate with infinite useful life's.

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

#### a) Investments at fair value through profit or loss - held for trading

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as held for trading and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in the other comprehensive income. The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

#### b) Loans and receivables

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

#### c) Available for sale - unquoted at cost

These are initially recognized at cost. Due to non availability of an active market, these are subsequently stated at cost as well.

### 3.4. Trade debts

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**

#### **3.10.1. Current**

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

#### **3.10.2. Deferred**

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

### **3.11. Employees retirement benefits**

#### **Defined contribution plan:**

The company operates a funded provident fund scheme covering permanent employees and monthly equal contribution is made to the trust @10% of basic pay both by the employer and the employees.

### **3.12. 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.

### **3.13. Impairment**

#### **a) Financial assets**

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

#### **b) Non- financial assets**

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### **3.14. Dividend and 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.

### **3.15. 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.

### **3.16. 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 total comprehensive income 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 total comprehensive income attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### **3.17. Share capital**

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

### **3.18. 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.

### **3.19. 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	2017 Rupees	2016 Rupees
<b>4. Issued, subscribed and paid up</b>			
1,050,000 (2016: 1,050,000) Ordinary share of Rs. 10/- each fully paid in cash		10,500,000	10,500,000
-7,700,000 (2016: 7,700,000) Ordinary share of Rs. 10/- each issued other than cash		77,000,000	77,000,000
		87,500,000	87,500,000
<b>5. Trade and other payables</b>			
Creditors		2,434,429	1,483,839
Accrued liabilities		139,450	298,551
FED payable		9,107	67,908
		2,582,986	1,850,298

#### 6. Contingencies & commitments

There were no contingencies and commitments as at June 30, 2017 (2016: Nil)

#### 7. Operating fixed assets

----- 2017 -----									
PARTICULARS	COST			ACCUMULATED DEPRECIATION				NET CARRYING VALUE AS AT 30-06-17	RATE %
	TOTAL AS AT 01-07-16	ADDITIONS / (DELETION)	TOTAL AS AT 30-06-17	TOTAL AS AT 01-07-16	Adjustments	FOR THE YEAR	TOTAL AS AT 30-06-17		
Furniture and fixtures	3,500,000	-	3,500,000	2,279,626	-	122,037	2,401,663	1,098,337	10
Office equipment	3,157,351	-	3,157,351	1,971,467	-	118,588	2,090,055	1,067,296	10
Computers	2,272,300	-	2,272,300	2,188,673	-	25,088	2,213,761	58,539	30
<b>RUPEES 2017</b>	<b>8,929,651</b>	<b>-</b>	<b>8,929,651</b>	<b>6,439,766</b>	<b>-</b>	<b>265,713</b>	<b>6,705,479</b>	<b>2,224,172</b>	
----- 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	Adjustments	FOR THE YEAR	TOTAL AS AT 30-06-16		
Furniture and fixtures	3,500,000	-	3,500,000	2,144,029	-	135,597	2,279,626	1,220,374	10
Office equipment	3,157,351	-	3,157,351	1,839,702	-	131,765	1,971,467	1,185,884	10
Computers	2,250,000	22,300	2,272,300	2,159,204	-	29,469	2,188,673	83,627	30
<b>RUPEES 2016</b>	<b>8,907,351</b>	<b>22,300</b>	<b>8,929,651</b>	<b>6,142,935</b>	<b>-</b>	<b>296,831</b>	<b>6,439,766</b>	<b>2,489,885</b>	



## 8. Intangible Assets

	2017			
	Membership Card in PMEX	Trading Right Entitlement Certificate (8.1)	Rooms at PSX	Total
	Rupees			
Net book value at the beginning of the year	25,000,000	31,560,250	14,000,000	70,560,250
Addition/ (Impairment)	-	(26,560,250)	-	(26,560,250)
Net book value at the end of the year	25,000,000	5,000,000	14,000,000	44,000,000

	2016			
	Membership Card in PMEX	Trading Right Entitlement Certificate (8.1)	Rooms at PSX	Total
	Rupees			
Net book value at the beginning of the year	25,000,000	31,560,250	14,000,000	70,560,250
Addition	-	-	-	-
Net book value at the end of the year	25,000,000	31,560,250	14,000,000	70,560,250

	NOTE	2017 Rupees	2016 Rupees
8.1. TREC of Pakistan Stock Exchange Limited (formerly: Lahore Stock Exchange Limited)		5,000,000	31,560,250

Trading Right Entitlement Certificate (TREC) is received from Pakistan Stock Exchange Limited (PSX) in accordance with the requirements of the Stock Exchanges (Corporatization, 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, Where in 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 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

Taking to account the above factors and in the absence of an active market for determining fair value of TREC and shares, the value of 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 recognised at Rs. 7.070 million and TREC at Rs. 3.328 million. In order to comply with 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..  
The management and the auditor concluded that impairment needs to be charged as per the norms in the industry, therefore TREC has been reduced to Rs. 5 million.

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 purpose 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-6402 dated October 20, 2017 the breakup value being used for determining the Base Minimum Capital for LSE shares is Rs. 18.29 based on accounts of 30 June 2017. 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

	NOTE	2017 Rupees	2016 Rupees
<b>9. Long term investment</b>			
Available for sale - unquoted at cost:			
Ordinary shares in Lahore Stock Exchange Limited:			
337,590 (@ Rs. 10/- per share) unblocked shares	8.1	3,375,900	3,375,900
506,385 (@ Rs. 10/- per share) blocked shares	8.1	5,063,850	5,063,850
843,975 Ordinary shares of Lahore Stock Exchange Limited		<u>8,439,750</u>	<u>8,439,750</u>
<b>10. Long term deposits</b>			
Margin deposit PSX		460,000	460,000
Deposit Sialkot trading floor		-	900,000
Pakistan Mercantile Stock Exchange		623,900	623,900
		<u>1,083,900</u>	<u>1,983,900</u>
<b>11. Trade debts</b>			
Considered good			
Un-secured			
Local	11.1 & 11.2	<u>16,996,849</u>	<u>15,596,150</u>
<b>11.1 Aging Analysis</b>			
		<b>Amount</b>	<b>Custody Value</b>
		Rupees	
Upto five days		-	-
More than five days		16,996,850	40,808,403
		<u>16,996,850</u>	<u>40,808,403</u>
11.2	It includes an amount due from Director of Rs. 15,606,812 (2016: 14,838,478)		



	NOTE	2017 Rupees	2016 Rupees
<b>12. Short term investments</b>			
Investments classified as 'held for trading'			
Shares of listed companies - at fair value		<u>35,949,256</u>	<u>28,667,878</u>
		<b>Market Values</b>	
ADAMJEE INSURANCE COMPANY Ltd - 5,980 (2016: 15,980) Shares		408,793	801,556
BANK OF PUNJAB Ltd - 69,928 (2016: 417,428) Shares		823,752	3,356,121
BYCO PETROLEUM PAK Ltd - 126,290 (2016: 67,790) Shares		2,412,139	1,392,406
Other marketable securities - 3,734,557		<u>32,304,572</u>	<u>6,624,188</u>
		<u>35,949,256</u>	<u>12,174,271</u>
		<b>Carrying Values</b>	
ADAMJEE INSURANCE COMPANY Ltd - 5,980 (2016: 15,980) Shares		299,957	760,967
BANK OF PUNJAB Ltd - 69,928 (2016: 417,428) Shares		605,558	3,816,746
BYCO PETROLEUM PAK Ltd - 126,290 (2016: 67,790) Shares		2,456,088	1,568,660
Other marketable securities - 3,734,557		<u>28,901,759</u>	<u>6,562,233</u>
		<u>32,263,361</u>	<u>12,708,606</u>
(Loss) / surplus on remeasurement to fair value-net		<u>3,685,895</u>	<u>(534,335)</u>

	NOTE	2017 Rupees	2016 Rupees
<b>13. Cash and bank balances</b>			
Cash in hand		13,758,668	14,003,525
Cash at bank			
Current accounts		365,015	419,576
Saving accounts		<u>2,772,901</u>	<u>2,033,997</u>
		<u>16,896,583</u>	<u>16,457,098</u>
<b>13.1 Cash at bank</b>			
-House Account		365,015	419,576
-Client Account		<u>2,772,901</u>	<u>2,033,997</u>
		<u>3,137,915</u>	<u>2,453,573</u>
<b>14. Operating revenue</b>			
Brokerage revenue	14.1	667,028	349,047
Dividend income	14.2	<u>1,728,001</u>	<u>1,002,386</u>
		<u>2,395,028</u>	<u>1,351,433</u>
<b>14.1 Brokerage Income</b>			
-Proprietary		-	-
-Retail Customers		<u>667,028</u>	<u>349,047</u>
		<u>667,028</u>	<u>349,047</u>
<b>14.2 Dividend Income</b>			
		<u>1,728,001</u>	<u>1,002,386</u>



**15. Operating and administrative expenses**

Salaries and benefits		342,500	239,000
Legal and professional charges		443,130	189,025
PSX NCCS charges		205,877	141,857
CDC charges		78,473	51,701
FED Tax		4,245	-
Audit fee		125,000	75,000
Utilities		2,790	-
Depreciation	7	265,713	296,831
Entertainment		-	222,515
Repair & maintenance		-	357,972
Miscellaneous		94,799	29,786
		<u>1,562,527</u>	<u>1,603,687</u>

**16. Finance cost**

Bank charges

7,500	11,130
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**17. Other income**

Profit on saving account

236,449	363,146
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**18. Other charges**

Impairment of Sialkot Room

900,000	-
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Impairment of TREC

26,560,250	-
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<u>27,460,250</u>	
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**19. Taxation**

Current

216,000	3,490
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Prior

-	1,143
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<u>216,000</u>	<u>4,633</u>
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**20. Earning/(Loss) per share basic and diluted**

2017	2016
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There is no dilutive effect on the basic earning per share of the company.

Other comprehensive income/ (loss) (Amount in Rupees)

(19,333,423)	3,504,374
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Weighted average number of issued shares

8,750,000	8,750,000
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<u>(2.210)</u>	<u>0.400</u>
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**20. Related party transactions**

The related parties comprise associated undertakings, directors of the company and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown appropriately in the financial statements.

**21. Financial risk management**

The Company's activities expose it to a variety of financial risk including capital risk, credit risk, liquidity risk and market risk. The objective of financial risk management is to minimize potential adverse effects on the financial performance of the company. The company finances its operation through equity, borrowings and management of working capital with a view to maintain reasonable mix between the various sources of finance to minimize risk.

**21.1. Credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted. The company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, company applies credit limits and deal with credit worthy parties.

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

	NOTE	2017 Rupees	2016 Rupees
Long term deposits		1,083,900	1,983,900
Long term investment		8,439,750	8,439,750
Trade debts		16,996,849	15,596,150
Short term investments		35,949,256	28,667,878
Cash at Bank		3,137,915	2,453,573
		<u>64,523,771</u>	<u>55,157,351</u>

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

## 21.2. Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its commitments associated with financial instruments. The company manages its liquidity risk exposure by having diversified funding sources and assets are managed with liquidity in mind. To ensure adequate liquidity, the maturity profile is monitored on continuous basis.

Following are the contractual maturities of the financial liabilities;

	NOTE	2017 Rupees	2016 Rupees
		Maturity up to	Maturity up to
		One Year	One Year
		Rupees	Rupees
Trade and other payables		2,582,986	1,850,298
		<u>2,582,986</u>	<u>1,850,298</u>

## 21.3. 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:

### Foreign exchange risk management

The company does not obtain any forward exchange cover, furthermore, the company is not making any transaction in foreign currencies, therefore, the company is not exposed to foreign currency risk.

### Interest rate risk

Interest rate risk is the risk that value of financial instrument or future cash flow of a financial instrument will fluctuate due to changes in interest rates. The Company is not exposed to interest rate risk.

### 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. 35,949 Million (2016: Rs. 28,667 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.

## 21.4. Carrying value of financial assets and liabilities

Financial instruments are carried at approximate fair values.

## 22. 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 stake holders: and to maintain strong capital base to support the development of its business.

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

## 23. Number of employees

	2017	2016
Number of employees as at June 30	<u>1</u>	<u>1</u>
Average number of employees during the year	<u>1</u>	<u>1</u>



24. Securities as per Back office record and as per CDC Statement

As per Back Office Record	Own Account	Client Account	As per CDC Record	Own Account	Client Account
	No. of Shares			No. Of Shares	
Securities Held	5,885,455	8,762,744	Securities Available	5,707,565	8,762,744
			Securities Pledged with LSE/NCCPL.	177,890	-
			Pre-Settlement Delivery		-
			<b>Reconciling Entries:</b>		
			1-Clearing Settlement		-
<b>Total</b>	<b>5,885,455</b>	<b>8,762,744</b>	<b>Total</b>	<b>5,885,455</b>	<b>8,762,744</b>

25. Detail of Securities Pledged  
-Pledged with PSX

	No. of Securities	Rate	Value
DBCL	2,240	-	-
GENP	105,650	-	-
PTC	70,000	15.61	1,092,700
<b>TOTAL</b>	<b>177,890</b>		<b>1,092,700</b>

26. Pattern of Share holding

CATEGORIES OF SHAREHOLDERS	SHARE HOLDERS	SHARES HELD	PERCENTAGE
DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN	3	8,750,000	100.00%
<b>NAME:-</b>			
ARSLAN RAZAQUE		8,748,000	99.9771%
ALI RAZAQUE		1,000	0.0114%
RABIA ALI		1,000	0.0114%
Associated Companies, Undertakings and related Parties.	NIL	NIL	NIL
Executives	NIL	NIL	NIL
Public Sector Companies and Corporations	NIL	NIL	NIL
Banks, Development Finance Institutions, Non-Banking Finance	NIL	NIL	NIL
Others	NIL	NIL	NIL
<b>Total</b>	<b>3</b>	<b>8,750,000</b>	<b>100.00%</b>
<b>SHAREHOLDERS HOLDING 5% OR MORE.</b>			
<b>NAME</b>			
ARSLAN RAZAQUE		8,748,000	99.9771%

27. Turnover for the period

	Quantity	Value
-Proprietry	1,690,741	32,498,686
-Retail Customers	3,884,845	75,418,607
	<b>5,575,586</b>	<b>107,917,293</b>

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

29. Date of authorization for issue

These financial statements have been authorized for issue on 05 October 2017.

CHIEF EXECUTIVE

*M. Anwar H. Khan*

*Ash. Ali*  
DIRECTOR