

**AUDITED FINANCIAL STATEMENTS
OF
SHERMAN SECURITIES (PVT) LIMITED
FOR THE YEAR ENDED
JUNE 30, 2016**

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Karachi, Lahore & Islamabad**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Sherman Securities (Private) Limited** as at **June 30, 2016** and the related profit & 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 standard and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

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

08 OCT 2016

Karachi
Dated:


RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS
MUHAMMAD RAFIQ DOSANI

SHERMAN SECURITIES (PRIVATE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2016

	Note	2016 Rupees	2015
ASSETS			
NON CURRENT ASSETS			
Property and equipment	4	10,635,297	11,554,176
Intangible assets	5	6,991,957	6,991,957
Investment-Available for sale	6	16,008,043	16,008,043
Long term deposits	7	3,750,000	3,750,000
		37,385,297	38,304,176
CURRENT ASSETS			
Trade debts - Considered good	8	283,989,951	164,453,207
Short term Investments	9	1,210,301,984	894,687,221
Advances, deposits, prepayments and other receivables	10	27,119,188	40,297,897
Tax refundable	11	44,370,912	22,630,785
Derivative-held for trading		1,179,550	4,932,640
Cash and bank balances	12	56,703,419	40,074,643
		1,623,665,004	1,167,076,394
		1,661,050,301	1,205,380,570
CAPITAL AND LIABILITIES			
Authorized capital 1,500,000 (2015: 1,500,000) ordinary shares of Rs. 100/ each		150,000,000	150,000,000
Issued, subscribed and paid up capital 1,200,000 (2015: 1,200,000) ordinary shares of Rs. 100/- each fully paid in cash		120,000,000	120,000,000
Unappropriated profit		311,852,050	327,061,719
Surplus/Deficit in Revaluation of Investments		403,375,518	355,785,637
		835,227,568	802,847,356
NON CURRENT LIABILITIES			
Deferred Taxation	13	54,805,576	41,693,792
CURRENT LIABILITIES			
Short term borrowings - secured	14	554,823,655	276,367,631
Trade and other payables	15	59,380,340	36,747,999
Murabaha Financing	16	146,554,186	40,074,547
Accrued Markup	17	10,258,976	7,649,244
		771,017,157	360,839,421
Contingencies and commitments	18	-	-
		1,661,050,301	1,205,380,570

The annexed notes form an integral part of these financial statements


CHIEF EXECUTIVE


DIRECTOR

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

	Note	2016 Rupees	2015
Operating revenue	19	56,518,922	72,115,520
Gain on Derivative	20	1,179,550	4,932,640
Capital gain / (loss) on sale of investment	21	17,897,832	26,140,516
		<u>75,596,304</u>	<u>103,188,676</u>
Operating Expenses			
Administrative and general expenses	22	(68,986,512)	(56,138,260)
Financial charges	23	(46,035,062)	(37,725,070)
		<u>(115,021,574)</u>	<u>(93,863,330)</u>
Other income	24	27,465,894	22,364,864
Profit before taxation and WWF		<u>(11,959,377)</u>	<u>31,690,210</u>
Workers' welfare fund	25	-	(633,804)
Profit before taxation		<u>(11,959,377)</u>	<u>31,056,406</u>
Taxation	26	(3,250,292)	(4,199,491)
Profit/(loss) after taxation		<u><u>(15,209,669)</u></u>	<u><u>26,856,915</u></u>

The annexed notes form an integral part of these financial statements

M



CHIEF EXECUTIVE

aa



DIRECTOR

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

Note	2016 Rupees	2015
Profit / (loss) after taxation	(15,209,669)	26,856,915
Surplus/(deficit) on revaluation of investments	54,388,434	243,480,431
Related reversal of deferred tax due to revaluation /(deficit) on Investment available for sale	(8,386,882)	(50,826,520)
Impact of reduction in tax rate on related deferred tax liability on revaluation surplus	1,588,329	
Net Surplus/(deficit on revaluation of investments	47,589,881	192,653,911
Total comprehensive income / (loss) for the year	<u>32,380,212</u>	<u>219,510,826</u>

The annexed notes form an integral part of these financial statements

NA



CHIEF EXECUTIVE



DIRECTOR

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

	Share Capital	Unappropriated Profit	Surplus/(Deficit) in Revaluation of Investment	Total
	Rupees			
Balance as at July 01, 2014	120,000,000	300,204,804	163,131,726	583,336,530
Profit after tax for the year		26,856,915		26,856,915
Net-Surplus/(Deficit) in Revaluation of Investment during the year			192,653,911	192,653,911
Balance as at June 30, 2015	<u>120,000,000</u>	<u>327,061,719</u>	<u>355,785,637</u>	<u>802,847,356</u>
Balance as at July 1, 2016	120,000,000	327,061,719	355,785,637	802,847,356
Profit after tax for the year the year		(15,209,669)		(15,209,669)
Net-Surplus/(Deficit) in Revaluation of Investment during the year			47,589,881	47,589,881
Balance as at June 30, 2016	<u>120,000,000</u>	<u>311,852,050</u>	<u>403,375,518</u>	<u>835,227,568</u>

The annexed notes form an integral part of these financial statements

NR


 CHIEF EXECUTIVE


 DIRECTOR

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

	2016	2015
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	(11,959,377)	31,056,406
Adjustment for:		
Depreciation	2,172,595	2,286,529
Gain on disposal of fixed asset	-	(363,748)
Unrealized derivative	(1,179,550)	(4,932,640)
Financial charges	46,035,062	37,725,070
	<u>47,028,107</u>	<u>34,715,211</u>
Operating profit before working capital changes	35,068,730	65,771,617
(Increase) / decrease in Current Assets		
Trade debts	(119,536,744)	(121,978,558)
Advance, prepayments & other receivables	13,178,709	(6,354,341)
Increase / (decrease) in Current Liabilities		
Creditors, accrued and other liabilities	22,632,341	(31,839,727)
	<u>(83,725,694)</u>	<u>(160,172,626)</u>
Financial charges paid	(43,425,330)	(36,926,242)
Taxes paid	(18,677,189)	(19,941,103)
Net cash generated from operating activities	<u>(110,759,483)</u>	<u>(151,268,356)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investment in securities-net of Un realized gain	(253,916,735)	155,613,392
Purchase of property and equipments	(1,253,716)	(1,786,800)
Sale Proceeds from disposal of fixed assets	-	1,045,000
Net cash used in investing activities	<u>(255,170,451)</u>	<u>154,871,592</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal of Murabaha Financing obtained	195,313,698	69,714,303
Principal of Murabaha repaid	(91,211,011)	(30,438,584)
Net cash generated from financing activities	<u>104,102,687</u>	<u>39,275,719</u>
Increase in cash and cash equivalent during the year	(261,827,247)	42,878,956
Cash and cash equivalent at the beginning of the year	(236,292,988)	(279,171,944)
Cash and cash equivalent at the end of the year	<u>(498,120,235)</u>	<u>(236,292,988)</u>
Cash and cash equivalent at the end of the year comprises of the following:		
Short term borrowings	(554,823,655)	(276,367,631)
Cash and bank balances	56,703,419	40,074,643
	<u>(498,120,235)</u>	<u>(236,292,988)</u>

The annexed notes form an integral part of these financial statements

na


 CHIEF EXECUTIVE


 DIRECTOR

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

1 STATUS AND NATURE OF BUSINESS

Sherman Securities (Private) Limited was incorporated under Companies ordinance, 1984 on 15th July 2002 as a private limited company. The Company is corporate member of Karachi Stock Exchange (Guarantee) Limited. The registered office of the company is located at room no. 501 and 502 5th floor continental trade centre, G/ 6 block 8, main Clifton road Karachi. The principal activities of the company are to carry on the business of share brokerage, underwriting of public issues, investment in public securities and portfolio management.

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.

na

2.5 Amendments / interpretation to existing standard and forthcoming requirements

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2016:

Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.

Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Company's financial statements.

IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods

IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

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

na

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 date asset is in location and condition for it to be capable to be operated in the manner as intended by management and ceases on 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.

Membership cards and offices

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

Computer software

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

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

NR

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

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

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

3.3 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 on initial recognition or any other instrument not classified as (a) loans and receivables (b) held to maturity investments c) financial assets at fair value through profit or loss. Available for sale financial assets classified in short term are measured at fair value in the balance sheet date. Fair value changes are recognized in equity, through other comprehensive income, except for impairment loss and foreign exchange gain or losses. The cumulative gain or loss that was recognized in equity is recognized in profit or loss when available for sale financial assets is derecognized.

Handwritten signature

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.

e) **Derivative - held for trading**

Derivative instruments held by the Company primarily comprise of future contracts in the capital market. These are initially recognized at fair value and are subsequently re-measured at fair value. Derivate is accounted in the books when initial investment is nil or much smaller than would be required for other types of contracts, its value changes in response to change in underlying variable such as stock price and is settled at future date.

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.

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.

M

3.5 Financial liabilities

Financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently carried at amortized cost using effective interest rate method.

3.5.1 Murabaha

Murbaha transactions are reflected as payable at the amortised cost. Profit accrued to the financial institution is amortised using effective interest rate method.

3.6 Offsetting financial instruments

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

3.7 Trade debts and other receivables

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

3.8 Fiduciary assets

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

3.9 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, 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.

3.10 Share capital

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

3.11 Borrowings

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

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

3.12 Trade and other payables

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

de

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

3.13 Taxation

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

Current

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

Deferred

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

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

3.14 Provisions

Provisions are recognized when the Company has a present legal or constructive 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.

3.15 Financial instruments

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instruments. Any gain or loss on the recognition and derecognizing of the financial assets and liabilities is taken to profit and loss account currently.

3.16 Foreign currency transactions and translation

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

NR

3.17 Revenue recognition

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

- Brokerage, consultancy and advisory fee, commission etc. are recognised as and when such services are provided.
- Income from bank deposits is recognised at effective yield on time proportion basis.
- Dividend income is recorded when the right to receive the dividend is established.
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise and marked to market gains accumulated in Other Comprehensive Income are transferred to profit and loss account in the year in which Investments are disposed off.

3.18 Borrowing costs

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

	Building	Furniture & Fixtures	Office Equipment	Computer	Vehicles	Total
	Rupees					
As at June 30, 2014						
Cost	7,746,953	1,381,170	2,019,281	6,766,065	9,949,200	27,862,669
Accumulated depreciation	(4,745,625)	(962,311)	(1,202,548)	(6,257,123)	(1,959,907)	(15,127,512)
Closing net book value	<u>3,001,328</u>	<u>418,859</u>	<u>816,733</u>	<u>608,942</u>	<u>7,989,293</u>	<u>12,735,157</u>
Year ended June 30, 2015						
Opening net book value	3,001,328	418,859	816,733	508,942	7,989,293	12,735,157
Additions during the year	-	-	33,000	303,800	1,450,000	1,786,800
Disposals / transfers	-	-	-	-	(681,252)	(681,252)
Depreciation for the year	(300,133)	(41,886)	(84,148)	(190,003)	(1,670,359)	(2,286,529)
Closing net book value	<u>2,701,195</u>	<u>376,973</u>	<u>765,585</u>	<u>622,739</u>	<u>7,087,682</u>	<u>11,564,177</u>
As at June 30, 2015						
Cost	7,746,953	1,381,170	2,052,281	7,069,865	10,095,199	28,345,468
Accumulated depreciation	(5,045,758)	(1,004,197)	(1,286,696)	(6,447,126)	(3,007,513)	(16,791,291)
Closing net book value	<u>2,701,195</u>	<u>376,973</u>	<u>765,585</u>	<u>622,739</u>	<u>7,087,686</u>	<u>11,564,177</u>
Year ended June 30, 2016						
Opening net book value	2,701,195	376,973	765,585	622,739	7,087,686	11,564,177
Additions during the year	-	269,300	-	984,416	-	1,263,716
Depreciation for the year	(270,119)	(63,406)	(76,569)	(364,974)	(1,417,537)	(2,172,595)
Closing net book value	<u>2,431,076</u>	<u>592,866</u>	<u>689,027</u>	<u>1,262,181</u>	<u>5,670,149</u>	<u>10,636,297</u>
As at June 30, 2016						
Cost	7,746,953	1,660,470	2,062,281	8,064,281	10,095,199	29,599,184
Accumulated depreciation	(5,316,878)	(1,067,604)	(1,363,254)	(6,802,100)	(4,425,060)	(18,963,886)
Net book value	<u>2,431,076</u>	<u>592,866</u>	<u>689,027</u>	<u>1,262,181</u>	<u>5,670,149</u>	<u>10,636,297</u>
Annual rates of depreciation	10%	10%	10%	30%	20%	

4.1 Depreciation for the year amounting to Rs 2,172,595 allocated to Administration Expense.

M

	2016	2015
	Rupees	
5 INTANGIBLE ASSETS		
- PSX Trading Rights Entitlement (TRE) Certificate	5,991,957	5,991,957
- Pakistan Mercantile Exchange Company Ltd	1,000,000	1,000,000
	<u>6,991,957</u>	<u>6,991,957</u>
6 INVESTMENT-AVAILABLE FOR SALE		
Investment in shares of Pakistan Stock Exchange Limited	<u>16,008,043</u>	<u>16,008,043</u>

Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) 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, formerly Karachi Stock Exchange limited (KSEL) and a Trading Right Entitlement Certificate (TRECs) 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.

- 1 40% of the total shares allotted (i.e. 1,602,953 shares) are transferred in the House Account - CDC of each initial shareholder;
- 2 60% of the total shares (i.e. 2,404,430 shares) have been deposited in a sub-account in Company's name under KSEL'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. 22 million as at June 30,2016. According to selected opinion issued by ICAP, that nature and value of the asset given up (membership card) is similar to the nature and value of the asset acquired (Shares and TREC). Therefore, exchange of assets will not result in any gain or loss. Further, it can be argued that derecognition of the membership card has not occurred because the rights of the cardholder were not lost at any point during the exchange. The Committee also referred to paragraph 45 of IAS 38, which interalia states that when 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, and no gain or loss shall arise on the exchange.

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 KSEL ("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 was Rs. 31.174 million for each individual TRE certificate holder.

na

	Notes	2015 Rupees	2014	
7	LONG TERM DEPOSITS			
	Pakistan Stock Exchange Limited	7.1	850,000	850,000
	National Clearing Company of Pakistan Ltd	7.2	300,000	300,000
	Central Depository Company of Pakistan Ltd		100,000	100,000
	Pakistan Mercantile Exchange Company Ltd	7.3	2,500,000	2,500,000
			<u>3,750,000</u>	<u>3,750,000</u>

7.1 Amount deposited as Basic deposit for exposure in Ready Market, Future DFC and Future trading in provisionally listed Company.

7.2 Amount deposited as Basic deposit to National Clearing Company under Margin trading System.

7.3 This represent the deposit paid for office of Pakistan Mercantile Exchange Company Ltd.

	2016 Rupees	2015	
8	TRADE DEBT		
	Considered good and secured	<u>283,989,951</u>	<u>164,453,207</u>
	Not past due	189,941,958	145,312,720
	Past due but not impaired	94,047,993	19,140,487
		<u>283,989,951</u>	<u>164,453,207</u>

Based on past track record and subsequent realization, the company believes that above do not require any provision for impairment.

	2016 Rupees	2015	
9	SHORT TERM INVESTMENTS	<u>1,210,301,984</u>	<u>894,687,221</u>
9.1	Available for Sale		
	Cost of shares investment	749,301,393	488,075,064
	Unrealized gain/(loss) routed through OCI		
	Opening	406,612,157	163,131,726
	Cumulative (gain) in prior years transferred to P/L from OCI on investments sold this year	(56,953,683)	(1,821,587)
	During the year	111,342,117	245,302,018
		<u>461,000,591</u>	<u>406,612,157</u>
		<u>1,210,301,984</u>	<u>894,687,221</u>

9.2 Fair value of pledge shares against Murabaha financing amounted to Rs 1,088,118,356.

hr

		2016	2015	
		Rupees		
	Notes			
14	SHORT TERM BORROWINGS - SECURED			
	JS Bank Ltd	14.1	183,531,243	143,380,369
	Habib Metropolitan Bank Ltd	14.2	300,224,559	108,071,937
	NIB Bank Ltd	14.3	71,067,853	24,915,325
			<u>554,823,655</u>	<u>276,367,631</u>

14.1 Running finance facility for 1 year obtained from JS Bank of Rs 200 million. Markup paid on quarterly basis and computed on base of 3 month KIBOR + 200 base points. Purpose of facility is to finance obligation of KSE and settle client trades. Financing is secured against pledged shares that are included in approved list of JSBL's shares with a minimum margin of 30% along with personal guarantee of directors. Additional condition attached to financing is 25% maximum exposure on single scrip with minimum 4 scrips against Running Finance Limit.

14.2 Running finance facility obtained from Habib Metropolitan Bank of Rs 400 million for the purpose of meeting working capital requirement. Markup paid on quarterly basis and is computed on basis of 3 month KIBOR +2 percent per annum. Facility is secured against collateralized shares in shape of pledge of quoted shares as per Bank's approved list of companies..

14.3 Running finance facility obtained from NIB Bank Ltd of Rs 75 million to finance working capital requirement. Markup is computed at average of last seven days' 3 month KIBOR+200 base points and is to be paid each quarter. Facility is secured against pledge of shares of companies at 40% margin listed on Stock Exchange as per NIB's approved list of shares and personal guarantee of directors. Additionally, NIB's lien on all deposit accounts and properties held with the Bank.

		2016	2015
		Rupees	
15	TRADE AND OTHER PAYABLES		
	Creditors	55,717,998	34,380,180
	Accrued liabilities	2,745,467	1,196,478
	Federal excise duty payable	416,875	1,171,341
	Other Liabilities	500,000	
		<u>59,380,340</u>	<u>36,747,999</u>

16	MURABAHA FINANCING - AT AMORTIZED COST		
	Opening Balance	40,074,547	-
	Principal obtained	195,313,698	69,714,303
	Unwinding of Murabaha	4,502,365	1,628,825
	Payment during the year	(93,336,424)	(31,268,581)
	Closing Balance	<u>146,554,186</u>	<u>40,074,547</u>

M

16.1 Contract wise detail of each Murabaha

Particulars	2016						TOTAL
	Murabaha Contract 3	Murabaha Contract 4	Murabaha Contract 5	Murabaha Contract 6	Murabaha Contract 7	Murabaha Contract 8	
Opening Balance as at July 1, 2015	40,074,547	-	-	-	-	-	40,074,547
Principal obtained	-	49,998,405	40,117,422	23,095,430	37,124,551	44,977,890	195,313,698
Unwinding of Murabaha	1,138,060	2,125,412.00	496,181	261,551	291,199	189,962	4,502,365
Payment during the year	(41,212,607)	(52,123,817)	-	-	-	-	(93,336,424)
Balance as at June 30, 2016	-	-	40,613,603	23,356,981	37,415,750	45,167,852	146,554,186

16.2 Murabaha Financing obtained from Dubai Islamic Bank for purchase of shares during the year amounted to Rs 195.314 million. Finance cost computed on basis of 6 month KIBOR+2%. Securities under pledge/lien of DIBP until repayment.

16.3 In accordance to IAS 39, profit on murabaha finance outstanding at year end was unwinded on basis of number of days since finance was availed till year end date.

17	ACCRUED MARKUP	2016	2015
		Rupees	
	Short term financing	<u>10,258,976</u>	<u>7,649,244</u>

18 CONTINGENCIES AND COMMITMENTS

18.1 Deputy Commissioner Inland Revenue issue an order on March 11,2016 for submission of worker welfare fund expense on company's profits in tax years 2010,2011 and 2012 respectively. Charge in accordance to aforementioned order amounted to Rs 5,680,552 . The company has filed an appeal to Commissioner Inland Revenue on grounds that wwf is not applicable to brokerage business in accordance to repealed wwf ordinance 1971 and Sindh WWF Act 2014. The matter is presently at stage of hearing by Commissioner Inland Revenue. The management expects favourable outcome in this regard and hence has not recorded provision accordingly.

18.2 FBR issued show cause notice on March 17,2016 on non-deduction of withholding taxes on salaries for tax year 2015 amounting to Rs 22,404,285. The aforementioned order states that tax default payable under Section 161 of ITO Ordinance 2001 and default surcharge under section 205 of ITO Ordinance in aggregate amounted to Rs 6,411,352. The management in return has provided reconciliation to FBR under Rule 44 (4) of Income Tax Rules 2002 of amount of withholding tax deducted/paid and salaries accrued during tax year 2015 and believes favourable disposition in this regard.

Handwritten signature

	2016	2015
	Rupees	
19 OPERATING REVENUE		
Commission Income	56,276,426	71,147,406
IPO Commission	242,496	968,114
	<u>56,518,922</u>	<u>72,115,520</u>

20 DERIVATIVE-HELD FOR TRADING AT FAIR VALUE

Gain on Delivery Future Contracts (DFC) amounting to Rs 1,179,550 resulted from net unrealized gain as at June 30,2016 in overall scrips quoted in Pakistan Stock Exchange Limited.

	2016	2015
	Rupees	
	Notes	
Unrealized gain in scrips in DFC	3,813,960	7,538,205
Unrealized loss in scrips in DFC	(2,634,410)	(2,605,565)
Derivative- held for trading at fair value	<u>1,179,550</u>	<u>4,932,640</u>
21 CAPITAL GAIN/(LOSS) ON SALE OF INVESTMENT		
Cumulative gain/(loss) transferred from OCI on Investment sold during the year	56,953,683	1,821,587
Gain/(loss) on selling price minus marked to market till preceding financial year	(39,055,851)	24,318,929
Capital gain/(loss)	<u>17,897,832</u>	<u>26,140,516</u>
22 ADMINISTRATIVE AND GENERAL EXPENSES		
Salaries, benefits and allowances	26,951,077	22,404,388
Directors' remuneration	8,943,948	7,841,676
PSX / NCCPL electricity and service charges	12,304,782	12,396,538
C.D.C charges	1,248,365	1,440,956
Printing and stationery	275,800	310,880
Fees and subscription	1,236,800	129,850
Communication expenses	2,323,268	2,221,335
Audit Fees	600,000	500,000
Vehicle running expenses	268,109	333,341
Travelling and conveyance expenses	1,137,310	61,205
Entertainment expenses	570,478	575,024
Repair and Maintenance	848,436	1,229,756
Electricity charges	609,848	674,016
Depreciation	2,172,595	2,286,529
General expenses	2,885,955	1,307,157
Contract Expense	-	212,341
Insurance	14,810	16,499
Donation	4,907,000	1,695,000
Legal , professional charges and taxes	691,231	501,769
Software Charges	996,700	
	<u>68,986,512</u>	<u>56,138,260</u>

22.1 This includes commission expense incurred in connection with execution of deals amounting to Rs 4,529,925.

22.2 None of the directors and their spouse are interested in the donee's fund

M

		2016	2015
	Notes	Rupees	
23 FINANCIAL CHARGES			
Mark up on short term running finance		40,912,015	35,738,580
Interest on Murabaha Finance	23.1	4,502,365	1,628,825
Bank charges		620,682	357,665
		<u>46,035,062</u>	<u>37,725,070</u>
23.1 Markup paid on Murabaha Finance		3,263,472	829,997
Unwinding of Murabaha Finance outstanding at year end		1,238,893	798,828
		<u>4,502,365</u>	<u>1,628,825</u>
24 OTHER INCOME			
Interest Income	24.1	1,358,339	2,805,910
Dividend income		26,107,555	19,195,206
Gain/ (Loss) on disposal of fixed assets		-	363,748
		<u>27,465,894</u>	<u>22,364,864</u>

24.1 This includes interest earned on deposit held with PSX for future trading which amounted to Rs 1,087,668 (2015:1,705,614).

25 In accordance to Worker Welfare Fund Act 2014, no provisioning was made owing to tax and accounting losses rendered this year.

		2016	2015
	Notes	Rupees	
26 TAXATION			
Current			
- For the year	26.1	4,151,192	13,829,658
-Prior year tax	26.2	(7,214,130)	(497,440)
		<u>(3,062,938)</u>	<u>13,332,218</u>
Deferred tax expense/(Income)			
Net Taxable/(Deductible) temporary difference		6,598,628	(9,132,728)
Rate change		(285,398)	
		<u>6,313,230</u>	<u>(9,132,728)</u>
Tax Expense during the year		<u>3,250,292</u>	<u>4,199,490</u>

Rate of 12.5 % has been applied on temporary difference existing on Investment available for sale for recording deferred tax (Capital gain tax as per section 37 A of IT Ordinance) where as 31% (2015:32%) has been applied on other temporary differences.

		2016	2015
	Notes	Rupees	
26.1 Current tax			
Alternative Corporate Tax		-	10,132,906
Minimum Tax		562,764	
Tax on dividend		2,610,755	1,919,521
Tax on Capital gain		948,573	1,777,230
Tax on IPO Commission		29,100	
		<u>4,151,192</u>	<u>13,829,658</u>

ma

	Notes	2016	2015
		Rupees	
26.2 Tax expense reconciliation with accounting profit is as follows:			
Accounting profit/(loss) before tax		(11,959,377)	31,056,406
Less: Capital gain on Investment in shares		(17,897,832)	(26,140,516)
Less: Dividend Income		(26,107,555)	(19,195,206)
		<u>(55,964,763)</u>	<u>(14,279,317)</u>

26.3 Tax expense reconciliation with accounting profit

Tax at domestic rate 32%(tax year 2015:33%)	(17,908,724)	(4,712,175)
Capital gain tax as per section 37 A of ITO	948,573	1,777,230
Impact of reduction in tax rate	285,398	
Excess of ACT over Normal Tax		8,787,628
Tax effect of expense that are not deductible for tax purpose	6,744,955	94,384
Tax effect of expense apportioned to Dividend, Capital gain and Profit on cash margin and debt	17,751,465	
Tax losses utilized during the year	-	(3,169,658)
Final Tax on Dividend	2,610,755	1,919,521
Prior year tax	(7,214,130)	(497,440)
	<u>3,218,292</u>	<u>4,199,491</u>

27 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including certain benefits to Directors, Chief Executive and Executives of the Company, are as follows:

	Chief Executive		Directors	
	2016	2015	2016	2015
	Rupees			
Managerial remuneration	2,873,574	1,947,236	6,070,374	5,790,636
Bonus		-		-
Retirement benefits		-		-
	<u>2,873,574</u>	<u>1,947,236</u>	<u>6,070,374</u>	<u>5,790,636</u>
Number of persons	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>

28 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over other party in making financial and operating decisions.

The related parties comprise of major shareholders, associated companies with or without common directors, directors of the company and key management personnel, staff provident fund, and financial institution having nominee on the Board of Directors.

There is no related party transaction other than remuneration to directors as disclosed in note 24.

M

29 FINANCIAL RISK MANAGEMENT

29.1 Financial Risk Factors

The Company is exposed to a variety of financial risks (including interest rate risk and other price risk), credit rate risk and liquidity risk. The Company's overall risk management programmed focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

The Board of Directors has the overall responsibility for the establishment and oversight of Company's risk management framework. All related transactions are carried out within the parameters of these policies.

a) Market Risk

i) Currency risk

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

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. 806 million (2013: Rs. 743 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

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 and a 10% decrease 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
1,230,221,382	10% increase	1,353,243,520	123,022,138	20,488,732
898,826,681	10% decrease	808,943,913	(89,882,768)	(15,488,732)

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	2015	2016	2015
	Effective interest rate (%)		Carrying amounts	
Financial assets				
Bank deposits - savings account	5.50%	5.10%	5,483	-
Financial liabilities				
Short term Borrowing	7.5% to 9%	7.5% to 9.5%	554,823,655	276,367,631
Murabaha financing	8.1% to 8.36%	7% to 8%	146,554,186	40,074,547

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.

	Carrying amount	
	2016	2015
	Rupees	
Long term deposits	3,750,000	3,750,000
Trade debts	283,989,951	164,453,207
Advances, Trade deposits and other receivables	27,119,188	40,297,897
Cash and bank balances	56,703,419	40,074,643
	<u>371,562,558</u>	<u>248,575,747</u>

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.

Na

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

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 impaired 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.

On the reporting date, the Company had cash and bank balance of Rs. 56.703 million(2015: Rs 40.075 million) as disclosed in Note 12.

29.2 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).

ma

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

June 30, 2016	Level 1	Level 2	Level 3	Total
	----- Amount in Rupees -----			
Financial assets				
- Financial Assets-Available for sale				
Quoted Instruments	1,210,301,984	-	-	1,210,301,984
Unquoted Instruments		16,008,043		16,008,043
	<u>1,210,301,984</u>	<u>16,008,043</u>		<u>1,226,310,027</u>
June 30, 2015	Level 1	Level 2	Level 3	Total
	----- Amount in Rupees -----			
Financial assets				
-Financial Assets-Available for sale				
Quoted Instruments	894,687,221	-	-	894,687,221
Unquoted Instruments		16,008,043	-	16,008,043
	<u>894,687,221</u>	<u>16,008,043</u>		<u>910,695,264</u>

29.3 Financial instruments by category

	Amounts in Rupees				
As at June 30, 2016	Available for sale financial assets	Financial Assets at Fair value	Loans and receivables	Cash and bank	Total
Financial assets as per balance sheet					
Long term Investment	16,008,043	-	-	-	16,008,043
Short term Investments	1,210,301,984	-	-	-	1,210,301,984
Trade debts	-	-	283,989,951	-	283,989,951
Deposit against losses/exposure in DFC	-	-	21,389,688	-	21,389,688
Derivative held for trading	-	1,179,550	-	-	1,179,550
Cash and bank balances	-	-	-	56,703,419	56,703,419
	<u>1,226,310,027</u>	<u>1,179,550</u>	<u>305,379,639</u>	<u>56,703,419</u>	<u>1,589,572,635</u>
As at June 30, 2016					Financial liabilities at amortized cost
Financial liabilities as per balance sheet					
Trade creditors & other liabilities					59,380,340
Accrued Markup					10,258,976
Murabaha finance					146,554,186
Short term borrowing					554,823,655
					<u>771,017,156</u>

	Amounts in Rupees				
As at June 30, 2015	Available for sale financial assets	Financial Assets at Fair value	Loans and receivables	Cash and bank	Total
Financial assets as per balance sheet					
Long term investments	16,008,043	-	-	-	16,008,043
Short term Investments	894,687,221	-	-	-	894,687,221
Trade debts	-	-	164,453,207	-	164,453,207
Deposit against loss/exposure in DFC and others	-	-	36,561,897	-	36,561,897
Cash and bank balances	-	-	-	40,074,643	40,074,643
	<u>910,695,264</u>	<u>-</u>	<u>201,015,104</u>	<u>40,074,643</u>	<u>1,151,785,011</u>
As at June 30, 2015					Financial liabilities at amortized cost
Financial liabilities as per balance sheet					
Trade creditors and other liabilities					36,747,999
Murabaha finance					40,074,547
Short term borrowing					276,367,631
Accrued Markup					7,649,244
					<u>360,839,421</u>

na

30 **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.

31 **NUMBER OF EMPLOYEES**

The total number of employees and average number of employees at year end and during the year respectively are as follows:

	2016 (Number)	2015 (Number)
Total number of employees as at June 30,2016	<u>29</u>	<u>28</u>
Average number of employees during the year	<u>25</u>	<u>20</u>

32 **CORRESPONDING FIGURES**

Following reclassification has been made in the financial statements:

Reclassification from component	Reclassification to component	Rupees
Other Advances	Deposit against exposure in DFC & others	3,233,583

33 **APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors and authorized for issue on 08 OCT 2016.

34 **GENERAL**

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

na



CHIEF EXECUTIVE



DIRECTOR