

**AUDITED FINANCIAL STATEMENTS  
OF  
SHERMAN SECURITIES (PVT) LTD.  
FOR THE YEAR ENDED  
JUNE 30, 2017**

**Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants  
KARACHI, LAHORE & ISLAMABAD**



Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT TO THE MEMBERS


We have audited the annexed balance sheet of Sherman Securities (Private) Limited as at June 30, 2017 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, 2017, and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi  
Dated:

  
RAHMAN SARFARAZ RAHIM IQBAL RAFIQ  
CHARTERED ACCOUNTANTS  
MUHAMMAD RAFIQ DOSANI

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

ASSETS	Note	2017 Rupees	2016
<b>NON CURRENT ASSETS</b>			
Property and equipment	4	34,153,955	10,635,297
Intangible assets	5	8,050,735	6,991,957
Investment-Available for sale	6	10,290,952	16,008,043
Long term deposits	7	4,200,000	3,750,000
		<b>56,695,642</b>	<b>37,385,297</b>
<b>CURRENT ASSETS</b>			
Trade debts	8	15,484,072	283,989,951
Short term Investments	9	1,255,863,214	1,210,301,984
Advances, deposits, prepayments and other receivables	10	54,803,678	27,119,188
Tax refundable due	11	70,206,897	44,370,912
Other Receivable	12	4,488,268	-
Derivative	13	40,713,335	1,179,550
Cash and bank balances	14	185,677,286	56,703,419
		<b>1,627,236,750</b>	<b>1,623,665,004</b>
		<b>1,683,932,392</b>	<b>1,661,050,301</b>
<b>CAPITAL AND LIABILITIES</b>			
Authorized capital 1,500,000 (2016: 1,500,000) ordinary shares of Rs. 100/ each		<b>150,000,000</b>	<b>150,000,000</b>
Issued, subscribed and paid up capital 1,200,000 (2016: 1,200,000) ordinary shares of Rs. 100/- each fully paid in cash		<b>120,000,000</b>	<b>120,000,000</b>
Unappropriated profit		<b>580,977,899</b>	<b>311,852,050</b>
Net Surplus/Deficit in Revaluation of Investments		<b>330,083,992</b>	<b>403,375,518</b>
		<b>1,031,061,891</b>	<b>835,227,568</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred Taxation	15	45,892,400	54,805,576
<b>CURRENT LIABILITIES</b>			
Short term borrowings - secured	16	336,456,505	554,823,655
Trade and other payables	17	161,354,505	59,380,340
Murabaha Financing	18	101,068,593	146,554,186
Accrued Markup	19	8,098,498	10,258,976
		<b>606,978,101</b>	<b>771,017,157</b>
Contingencies and commitments	20		
		<b>1,683,932,392</b>	<b>1,661,050,301</b>

The annexed notes form an integral part of these financial statements

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

	Note	2017 Rupees	2016
Operating revenue	21	62,341,756	56,518,922
Gain on Derivative	22	4,383,548	1,179,550
Capital gain / (loss) on sale of investment	23	362,381,879	17,897,832
		<u>429,107,183</u>	<u>75,596,304</u>
<b>Operating Expenses</b>			
Administrative and general expenses	24	(87,039,368)	(68,986,512)
Financial charges	25	(47,256,213)	(46,035,062)
		(134,295,581)	(115,021,574)
Other income	26	39,268,618	27,465,894
Profit before taxation		<u>334,080,220</u>	<u>(11,959,377)</u>
Taxation	27	(64,954,371)	(3,250,292)
Profit/(loss) after taxation		<u><u>269,125,849</u></u>	<u><u>(15,209,669)</u></u>

The annexed notes form an integral part of these financial statements

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CHIEF EXECUTIVE



DIRECTOR

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

Note	2017 Rupees	2016
Profit / (loss) after taxation	269,125,849	(15,209,669)
Surplus/(deficit) on revaluation of investments	(91,131,200)	54,388,434
Related reversal of deferred tax due to revaluation /(deficit) on Investment available for sale	29,364,689	(8,386,882)
Impact of reduction in tax rate on related deferred tax liability on revaluation surplus	(11,525,015)	1,588,329
Net Surplus/(deficit) on revaluation of investments	(73,291,526)	47,589,881
Total comprehensive income for the year	<u>195,834,324</u>	<u>32,380,212</u>

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CHIEF EXECUTIVE

  
DIRECTOR

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

	Share Capital	Unappropriated Profit	Surplus/(Deficit) in Revaluation of Investment	Total
	Rupees			
Balance as at July 01, 2015	120,000,000	327,061,719	355,785,637	802,847,356
Profit after tax for the year		(15,209,669)		(15,209,669)
Net-Surplus/(Deficit) in Revaluation of Investment during the year			47,589,881	47,589,881
<b>Balance as at June 30, 2016</b>	<u>120,000,000</u>	<u>311,852,050</u>	<u>403,375,518</u>	<u>835,227,568</u>
Balance as at July 1, 2016	120,000,000	311,852,050	403,375,518	835,227,568
Profit after tax for the year the year	-	269,125,849	-	269,125,849
Net-Surplus/(Deficit) in Revaluation of Investment during the year		-	(73,291,526)	(73,291,526)
<b>Balance as at June 30, 2017</b>	<u>120,000,000</u>	<u>580,977,899</u>	<u>330,083,992</u>	<u>1,031,061,891</u>

The annexed notes form an integral part of these financial statements

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 CHIEF EXECUTIVE

  
 DIRECTOR

**SHERMAN SECURITIES (PRIVATE) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	2017	2016
	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	334,080,220	(11,959,377)
<b>Adjustment for:</b>		
Depreciation	(5,068,216)	2,172,595
Gain on disposal of fixed asset	-	-
Unrealized derivative	(40,713,335)	(1,179,550)
Financial charges	47,256,213	46,035,062
Provision for impairment	628,682	-
	2,103,344	47,028,107
	336,183,564	35,068,730
Operating profit before working capital changes		
<b>(Increase) / decrease in Current Assets</b>		
Trade debts	268,505,879	(119,536,744)
Advance, prepayments & other receivables	(27,684,490)	13,178,709
Other Receivables	(4,488,268)	-
<b>Increase / (decrease) in Current Liabilities</b>		
Creditors, accrued and other liabilities	101,974,165	22,632,341
	338,307,286	(83,725,694)
Financial charges paid	(42,976,665)	(43,425,330)
Taxes paid	(81,863,857)	(18,677,189)
	549,650,328	(110,759,483)
Net cash generated from operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Investment in securities-net of Un realized gain	(121,796,819)	(253,916,736)
Purchase of property and equipments	(28,586,873)	(1,253,716)
Sale Proceeds from disposal of fixed assets	-	-
Net cash used in investing activities	(150,383,692)	(255,170,452)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal of Murabaha Financing obtained	162,120,260	195,313,698
Principal plus unwinding of Muraba repaid	(214,045,879)	(91,211,011)
Net cash generated from financing activities	(51,925,619)	104,102,687
Increase in cash and cash equivalent during the year	347,341,017	(261,827,248)
Cash and cash equivalent at the beginning of the year	(498,120,236)	(236,292,988)
Cash and cash equivalent at the end of the year	(150,779,219)	(498,120,236)
<b>Cash and cash equivalent at the end of the year comprises of the following:</b>		
Short term borrowings	(336,456,505)	(554,823,655)
Cash and bank balances	185,677,286	56,703,419
	(150,779,219)	(498,120,236)

The annexed notes form an integral part of these financial statements

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

**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 Pakistan Stock Exchange 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 investment held at AFS measured 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.

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## 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 12 'Income Taxes' (effective for annual periods beginning on or after 1 January 2017) - The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 'Share-based Payment' clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property'- effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture.

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

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

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

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Property and equipment

##### Owned

Items of property 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.

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 for more than 1 year 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, the cost of the asset can be measured reliably and the entity has control over the asset. Amortisation is not charged on intangible assets with infinite useful lives and is charged on asset with finite useful lives is charged when the asset is available for intended use.

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### 3.3 Impairment of non-financial assets

Assets 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.

##### 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.

##### e) Derivative - held for trading

Derivative instruments held by the Company primarily comprise of future contracts in the capital market. These are initially and 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.

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### 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 3.7.

## 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.

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### 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 Borrowings

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

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

### 3.11 Trade and other payables

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

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

### 3.12 Taxation

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

#### Current

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

#### Deferred

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

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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.

### 3.13 Provisions

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

### 3.14 Financial instruments

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

### 3.15 Foreign currency transactions and translation

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

### 3.16 Revenue recognition

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

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

### 3.17 Borrowing costs

Borrowing costs are recognised as an expense in the year in which they are incurred except where such costs are directly attributable to the acquisition or construction of qualifying asset in which such costs are capitalized as part of the cost of that asset. Borrowing costs includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

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## PROPERTY AND EQUIPMENT

	Building	Furniture & Fixtures	Office Equipment	Computer	Vehicles	Total
	Rupees					
<b>As at June 30, 2015</b>						
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>11,554,177</u>
<b>Year ended June 30, 2016</b>						
Opening net book value	2,701,195	376,973	765,585	622,739	7,087,686	11,554,177
Additions during the year	-	269,300	-	984,416	-	1,253,716
Disposals / transfers	-	-	-	-	-	-
Depreciation for the year	(270,119)	(53,406)	(76,559)	(354,974)	(1,417,537)	(2,172,596)
Closing net book value	<u>2,431,074</u>	<u>592,866</u>	<u>689,027</u>	<u>1,252,181</u>	<u>5,670,149</u>	<u>10,635,300</u>
<b>As at June 30, 2016</b>						
Cost	7,746,953	1,650,470	2,052,281	8,054,281	10,095,199	29,599,184
Accumulated depreciation	(5,315,878)	(1,057,604)	(1,363,254)	(6,802,100)	(4,425,050)	(18,963,886)
Closing net book value	<u>2,431,075</u>	<u>592,866</u>	<u>689,027</u>	<u>1,252,181</u>	<u>5,670,149</u>	<u>10,635,297</u>
<b>Year ended June 30, 2017</b>						
Opening net book value	2,431,075	592,866	689,027	1,252,181	5,670,149	10,635,298
Additions during the year	7,520,000	661,277	-	927,596	19,478,000	28,586,873
Depreciation for the year	(995,108)	(92,921)	(68,903)	(565,454)	(3,345,830)	(5,068,216)
Closing net book value	<u>8,955,967</u>	<u>1,161,222</u>	<u>620,124</u>	<u>1,614,323</u>	<u>21,802,319</u>	<u>34,153,955</u>
<b>As at June 30, 2017</b>						
Cost	15,266,953	2,311,747	2,052,281	8,981,877	29,573,199	58,186,057
Accumulated depreciation	(6,310,986)	(1,150,525)	(1,432,157)	(7,367,554)	(7,770,880)	(24,032,102)
Net book value	<u>8,955,967</u>	<u>1,161,222</u>	<u>620,124</u>	<u>1,614,323</u>	<u>21,802,319</u>	<u>34,153,955</u>
<b>Annual rates of depreciation</b>	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>30%</u>	<u>20%</u>	

4.1 Depreciation for the year amounting to 5.068 million (2016: Rs 2,172,595) allocated to Administration Expense.

## 5 INTANGIBLE ASSETS

		2017	2016
		Rupees	
- PSX Trading Rights Entitlement (TRE)	5.1	5,991,957	5,991,957
- Pakistan Mercantile Exchange Company Ltd		1,000,000	1,000,000
- Software license	5.2	1,058,778	-
		<u>8,050,735</u>	<u>6,991,957</u>

5.1 TREC providing company the entitlement to carry brokerage business is for indefinite useful life, hence has not been amortised.

## 5.2 Software license

	2017	2016
	Rupees	
Cost	1,323,473	-
Less: Amortisation Expense	(264,695)	-
	<u>1,058,778</u>	<u>-</u>

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6 **LONG TERM INVESTMENT-AVAILABLE FOR SALE**

Investment in shares of Pakistan Stock Exchange Limited

2017                      2016  
                    Rupees                     

10,290,952                      16,008,043

This represents 400,738 shares out of 1.603 million shares marked as freezed in CDC Account and valued at closing rate prevailing in PSX on June 30, 2017. The company shall retain these shares for not less than 3 financial years in pursuant of Public Offering Regulation 2017, hence have been classified as long term- available for sale. Remainder of shares aggregating 1.2 million will be saleable prior the end of subsequent financial, hence have been classified as short term. In light of IAS 39 and Selected Opinion 2012-2013, shares retained have been remeasured to fair value existing at reporting date.

The company received 4.007 million shares in pursuant of promulgation of Stock Exchanges (Corporatisation, Demutualization and Integration) Act 2012 and have sold 60% of those shares which were marked as blocked-40% to strategic investor and 20% were divested through Book Building and IPO at Rs 28 per share. 25% of 1.603 million shares retained are classified in long term and remainder in short term as mentioned above.

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.

7 **LONG TERM DEPOSITS**

Pakistan Stock Exchange Limited  
 National Clearing Company of Pakistan Ltd  
 Central Depository Company of Pakistan Ltd  
 Pakistan Commodity Exchange Limited

Notes                      2017                      2016  
                    Rupees                     

7.1                      1,100,000                      850,000  
 7.2                      500,000                      300,000  
                     100,000                      100,000  
                    2,500,000                      2,500,000  
                    4,200,000                      3,750,000

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.

8 **TRADE DEBT**

Considered good and secured

2017                      2016  
                    Rupees                     

15,484,072                      283,989,951

8.1 Balance due for less than 5 days  
 Balance due for more than 5 days

7,997,346  
8,064,058  
 16,061,404

Provision for impairment

8.3                      (577,332)  
15,484,072

8.2 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.

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8.3 Provision has been recorded on balance due for more than 5 days whose corresponding adjusted value of collateral after applying VAR haircut exceeded its outstanding balance. Additionally, past ageing and subsequent realization has been considered for determining this impairment.

8.4 The Company holds equity securities having fair value of Rs. 506.672 million (2016: Rs 788.625 million) owned by its clients, as collaterals against trade debts

		2017	2016
		Rupees	
<b>9</b>	<b>SHORT TERM INVESTMENTS</b>	<u>1,255,863,214</u>	<u>1,210,301,984</u>
	<b>DESIGNATED AT AVAILABLE FOR SALE</b>		
	Fair value of listed securities at June 30,2017	9.1 1,255,914,564	1,210,301,984
	Less: provision for impairment	9.2 (51,350)	-
		<u>1,255,863,214</u>	<u>1,210,301,984</u>

9.1 This includes 1.202 million shares of PSX of shares marked as freeze in CDC Account. PSX shares have been remeasured from cost to fair value existing at reporting period in accordance to Selected Opinion 2012-2013 issued by ICAP. These shares have been classified as short term since they will be available for trading prior to end of next reporting period as stated in Public Offering Regulation 2017.

9.2 This represents impairment loss on listed securities with prolonged decline and absence of active market resulting from classification in defaulter segment. Impairment loss is the difference between cost and estimated future cashflows expected to be generated from these financial asset.

9.3 Fair value of pledge shares against Murabaha and bank overdraft amounts to Rs 768,296,642. (2016: 1,088,118,356). This includes securities pledged of customers amounting to Rs 169,984,884.

	Notes	2017	2016
		Rupees	
<b>10</b>	<b>ADVANCES, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES</b>		
	Advances to staff	7,686,225	5,629,500
	Prepaid expense	117,453	100,000
	Deposit against exposure and loss in DFC & others	47,000,000	21,389,688
		<u>54,803,678</u>	<u>27,119,188</u>

	Notes	2017	2016
		Rupees	
<b>11</b>	<b>TAX REFUNDABLE DUE</b>		
	Opening balance	44,370,912	22,630,785
	Provision for tax	(55,246,821)	(4,151,192)
	Prior year tax	(781,051)	7,214,130
		(56,027,872)	3,062,938
	Add: Advance tax paid	81,863,857	18,677,189
		<u>70,206,897</u>	<u>44,370,912</u>

		2017	2016
	Notes	Rupees	
<b>12</b>	<b>OTHER RECEIVABLES</b>	<u>4,488,268</u>	<u>-</u>
12.1	This represents receivable from PSX on account of 10% of sale proceeds of PSX shares retained in accordance to Share Purchase Agreement executed between Chinese Consortium Divestment Committee and PSX. The amount retained will be disbursed to the company before the end of next reporting period.		
<b>13</b>	<b>DERIVATIVE</b>	2017	2016
		Rupees	
	Derivative-designated at fair value through profit and loss	<u>40,713,335</u>	<u>1,179,550</u>
	This represents receivable on account of trading in stand alone derivative in delivery future contract.		
<b>14</b>	<b>CASH AND BANK BALANCES</b>	2017	2016
		Rupees	
	Cash in hand	793,150	582,998
	Cash at bank:		
	- current account	184,884,136	56,114,938
	- saving account	-	5,483
		<u>185,677,286</u>	<u>56,703,419</u>
14.1	This includes cash at bank pertaining to client accounts amounting to Rs 155,536,662 (2016: 55,756,001).		
<b>15</b>	<b>DEFERRED TAXATION</b>	2017	2016
		Rupees	
	Deferred Tax balance arising on the following:		
	<b>Taxable temporary difference</b>		
	Investment available for sale	39,785,400	57,625,074
	Accelerated tax depreciation	-	219,718
	Unrealized gain on derivative	6,107,000	147,444
	<b>Deductible temporary difference</b>		
	Accelerated accounting depreciation	-	-
	Excess of Alternative Corporate tax carried forward	-	(2,802,603)
	Unwinding of Murabaha	-	(384,057)
		<u>45,892,400</u>	<u>54,805,576</u>
15.1	Final Tax on Brokerage Commission imposed through amendment in Section 233 A of Income Tax Ordinance resulted in reversal of all temporary differences other than those resulting from unrealized gain/(loss) on listed securities and derivate products.		
<b>16</b>	<b>SHORT TERM BORROWINGS - SECURED</b>	2017	2016
		Rupees	
	JS Bank Ltd	113,843,252	183,531,243
	Habib Metropolitan Bank Ltd	163,903,553	300,224,559
	NIB Bank Ltd	58,709,700	71,067,853
		<u>336,456,505</u>	<u>554,823,655</u>

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- 16.1 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 PSX 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.
- 16.2 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..
- 16.3 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.

	2017	2016
	Rupees	
<b>17 TRADE AND OTHER PAYABLES</b>		
Creditors	154,614,680	55,717,998
Accrued liabilities	6,123,637	3,245,467
Sales tax payable	616,188	416,875
	<u>161,354,505</u>	<u>59,380,340</u>
<b>18 MURABAHA FINANCING - AT AMORTIZED COST</b>		
Opening Balance	146,554,186	40,074,547
Principal obtained	162,120,260	195,313,698
Unwinding of Murabaha	6,440,026	4,502,365
Payment during the year	(214,045,879)	(93,336,424)
Closing Balance	<u>101,068,593</u>	<u>146,554,186</u>

18.1 Contract wise detail of each Murabaha

Particulars	Murabaha Contract 5	Murabaha Contract 6	Murabaha Contract 7	Murabaha Contract 8	Murabaha Contract 9	Murabaha Contract 10	Murabaha Contract 11	Murabaha Contract 12	Murabaha Contract 13	Total
Balance as at July 1, 2016	40,613,603	23,356,981	37,413,750	45,167,852	-	-	-	-	-	146,554,186
Principal Obtained	-	-	-	-	40,065,630	21,768,075	18,687,387	52,607,500	28,991,668	162,120,260
Unwinding of Murabaha	1,157,756	680,034	1,206,396	189,331	1,564,042	860,430	157,978	433,025	191,034	6,440,026
Payment made during the year	(41,771,359)	(24,037,015)	(38,622,146)	(45,357,183)	(41,629,671)	(22,628,505)	-	-	-	(214,045,879)
Balance as at June 30, 2017	-	-	-	-	-	-	18,845,365	53,040,525	29,182,702	101,068,593

- 18.2 Murabaha Financing obtained from Dubai Islamic Bank for purchase of shares during the year amounted to Rs 101.84 million. Finance cost computed on basis of 6 month KIBOR+2%. Securities under pledge/lien of DIBP until repayment.

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18.3 Markup resulting from unwinding of Murabaha amounted to Rs 6,440,026 which includes markup unpaid amounting to Rs 782,037.

	2017	2016
	————— Rupees —————	
<b>19 ACCRUED MARKUP</b>		
Short term financing	<u>8,098,498</u>	<u>10,258,976</u>

**20 CONTINGENCIES AND COMMITMENTS**

20.1 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 that WWF is not applicable to the company in the light of Supreme Court Judgment on September 2016, revoking amendments made in finance act 2006 and 2008 that broadened the scope of definition of industrial establishment 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.

20.2 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.

	2017	2016
	————— Rupees —————	
<b>21 OPERATING REVENUE</b>		
Commission Income	62,219,856	56,276,426
IPO Commission	121,900	242,496
	<u>62,341,756</u>	<u>56,518,922</u>

**22 GAIN FROM DERIVATIVE**

Gains resulting from derivative	<u>4,383,548</u>	<u>1,179,550</u>
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22.1 This represent gains incurred by company during the year from trading in Delivery Future Contract.

	2017	2016
	————— Rupees —————	
<b>23 CAPITAL GAIN ON SALE OF INVESTMENT</b>	<u>362,381,879</u>	<u>17,897,832</u>

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	Notes	2017	2016
		Rupees	
<b>24</b>	<b>ADMINISTRATIVE AND GENERAL EXPENSES</b>		
	Salaries, benefits and allowances	38,791,773	26,951,077
	Directors' remuneration	12,663,106	8,943,948
	PSX / NCCPL electricity and service charges	11,000,446	12,914,630
	C.D.C charges	1,740,141	1,248,365
	Printing and stationery	180,000	275,800
	Fees and subscription	252,853	1,236,800
	Communication expenses	814,918	2,323,268
	Audit Fees	600,000	600,000
	Vehicle running expenses	607,127	268,109
	Travelling and conveyance expenses	863,467	1,137,310
	Entertainment expenses	601,644	570,478
	Repair and Maintenance	586,118	848,436
	Depreciation	4.1	5,068,216
	Provision for impairment	24.1	628,682
	General expenses	574,215	2,885,955
	Insurance	58,605	14,810
	Donation	24.2	10,295,000
	Legal , professional charges and taxes	300,000	691,231
	Software Charges	1,413,057	996,700
		<u>87,039,368</u>	<u>68,986,512</u>
<b>24.1</b>	None of the directors and their spouse are interested in the donee's fund		
		2017	2016
<b>24.2</b>	<b>Provision for impairment</b>	Rupees	
	Provision for doubtful debts	8.3	577,332
	Provision for impairment on Investment at AFS	9.2	51,350
		<u>628,682</u>	<u>-</u>
<b>25</b>	<b>FINANCIAL CHARGES</b>		
	Mark up on short term running finance	40,336,780	40,912,015
	Interest on Murabaha Finance	6,440,026	4,502,365
	Bank charges	479,407	620,682
		<u>47,256,213</u>	<u>46,035,062</u>
<b>26</b>	<b>OTHER INCOME</b>		
	Interest Income	1,043,934	1,358,339
	Dividend income	38,224,684	26,107,555
		<u>39,268,618</u>	<u>27,465,894</u>
<b>27</b>	<b>TAXATION</b>		
	<b>Current</b>		
	- For the year	27.1	55,246,821
	-Prior year tax		781,051
			<u>56,027,872</u>
	<b>Deferred tax expense/(Income)</b>		
	Temporary difference		8,835,547
	Rate change		90,952
			<u>8,926,499</u>
	<b>Tax Expense during the year</b>		<u>64,954,371</u>
			<u>4,151,192</u>
			<u>(7,214,130)</u>
			<u>(3,062,938)</u>
			<u>6,598,628</u>
			<u>(285,398)</u>
			<u>6,313,230</u>
			<u>3,250,292</u>

In light of introduction of flat rate on capital gain arising from disposal of securities acquired after July 1, 2016, 15% has been applied on temporary difference existing on Derivate at the end of reporting period.

27.1	Current tax	Notes	2017	2016
			Rupees	
	Minimum Tax		622,199	562,764
	Tax on dividend		4,778,086	2,610,755
	Tax on Capital gain		49,831,908	948,573
	Tax on IPO Commission		14,628	29,100
			<u>55,246,821</u>	<u>4,151,192</u>

27.2 Tax expense reconciliation with accounting profit is as follows:

Accounting profit/(loss) before tax	334,080,220	(11,959,377)
Less: Capital gain on Investment in shares	(362,381,879)	(17,897,832)
Less: Dividend Income	(38,224,684)	(26,107,555)
	<u>(66,526,343)</u>	<u>(55,964,763)</u>

Tax expense reconciliation with accounting profit

Tax at domestic rate 31%(tax year 2016:32%)	(20,623,166)	(17,908,724)
Capital gain tax as per section 37 A of ITO	49,831,908	948,573
Impact of reduction in tax rate	90,952	285,398
Minimum tax	622,199	-
Tax effect of expense that are not deductible for tax purpose	34,208,198	6,776,955
Tax effect of expense apportioned to Dividend, Capital gain and Profit on cash margin	(14,442,407)	17,751,465
Final Tax on Dividend	4,778,086	2,610,755
Prior year tax	781,051	(7,214,130)
	<u>55,246,820</u>	<u>3,250,292</u>

28 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		Total-2017	Total-2016
	2017	2016	2017	2016		
Managerial remuneration	2,532,621	1,788,790	10,130,485	7,155,158	12,663,106	8,943,948
Retirement benefits	-	-	-	-	-	-
	<u>2,532,621</u>	<u>1,788,790</u>	<u>10,130,485</u>	<u>7,155,158</u>	<u>12,663,106</u>	<u>8,943,948</u>
Number of persons	1	1	4	4	5	5

29 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 27..

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Notes	2017	2016
	Rupees	
<b>30 FINANCIAL INSTRUMENT BY CATEGORY</b>		
<b>Financial Assets</b>		
<b>Investments held at Available for Sale</b>		
Short term Investment at Available for Sale	1,255,863,214	1,210,301,984
Long term Investment at Available for Sale	<u>10,290,952</u>	<u>16,008,043</u>
	<u><u>1,266,154,166</u></u>	<u><u>1,226,310,027</u></u>
<b>Investment held at Fair value through Profit and Loss</b>		
Derivate held for trading	<u>40,713,335</u>	<u>1,179,550</u>
<b>Loans and Receivables</b>		
Trade Debts	15,484,072	283,989,951
Advance to Employees	7,686,225	5,629,500
Deposit against losses and exposure in Ready market & DFC	47,000,000	21,389,688
Other Receivables	<u>4,488,268</u>	<u>-</u>
	<u><u>74,658,565</u></u>	<u><u>311,009,139</u></u>
Cash and Bank	<u><u>185,677,286</u></u>	<u><u>56,703,419</u></u>
<b>Financial liabilities at balance sheet date</b>		
<i>At amortised cost</i>		
Trade & other payables	160,738,317	58,963,465
Murabaha Finance	101,068,593	146,554,186
Accrued Markup	8,098,498	10,258,976
Short term Borrowings	<u>336,456,505</u>	<u>554,823,655</u>
	<u><u>606,361,913</u></u>	<u><u>770,600,282</u></u>

### 30.1 Financial Risk Factors

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

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

#### a) Market Risk

##### i) Currency risk

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

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ii) **Price risk**

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 1.266 billion (2016: Rs. 1.226 billion ) at the reporting date. The Company manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

Sensitivity analysis

The table below summarizes Company's equity price risk as of 30 June 2017 and 2016 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
June 30, 2017	Rupees	1,266,154,166	10% increase	1,392,769,583	126,615,417	126,615,417
June 30, 2016	Rupees	1,210,301,984	10% increase	1,331,332,182	121,030,198	121,030,198

(iii) **Interest rate risk**

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing arrangements has variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes.

Financial liabilities include balances of Rs. 437.525 million (2016: Rs.701.378 million) and respectively, which are subject to interest / markup rate risk. Applicable interest / mark-up rates for financial assets and liabilities have been indicated in respective notes.

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

	2017	2016	2017	2016
	Effective interest rate (%)		Carrying amounts (Rs.)	
<b>Financial liabilities</b>				
Short term borrowings	8% to 9%	8% to 9%	<u>336,456,505</u>	<u>554,823,655</u>
Murabaha Finance	7.77% to 8.12%	7.60% to 8.18%	<u>101,068,593</u>	<u>146,554,186</u>

#### 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.

The following information summarizes the estimated effects of hypothetical increases and decreases in interest rates on cash flows from financial assets and financial liabilities that are subject to interest rate risk. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. The hypothetical changes in market rates do not reflect what could be deemed best or worst case scenarios. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

As at June 30,2017	Profit and loss 100 bps	
	increase	decrease
Cashflow Sensitivity-Variable rate financial liabilities	4,375,251	(4,375,251)
As at June 30,2016		
Cashflow Sensitivity- Variable Rate Financial Liabilities	7,013,778	(7,013,778)

#### 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.

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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

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

	Carrying amount	
	2017	2016
	Rupees	
Long term deposits	4,200,000	3,750,000
Trade debts	15,484,072	283,989,951
Advances, Trade deposits and other receivables	54,686,225	27,019,188
Other Receivables	4,488,268	-
Cash and bank balances	185,677,286	56,703,419
	<u>264,535,852</u>	<u>371,462,558</u>

The Company holds equity securities having fair value of Rs. 506.672 million (2016: Rs 788.625 million) owned by its clients, as collaterals against trade debts . The aging analysis of the total receivable from clients as at the reporting date is as follows

	2017		2016	
	Gross	Impairment	Gross	Impairment
Past due 1 day - 30 days	11,095,878	-	214,941,958	-
Past due 31 days - 180 days	4,965,526	577,332	69,047,993	-
	<u>16,061,404</u>	<u>577,332</u>	<u>283,989,951</u>	<u>-</u>

No impairment has been recognized except as disclosed in respect of these debt as the security against the same is adequate or counter parties have sound financial standing.

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

The credit quality of Company's liquid funds can be assessed with reference to external credit ratings as follows:

Short term rating	2017	2016
	Rupees	
A-1+	30,814,023	9,353,403
A1+	61,628,045	18,706,807
A-1	92,442,068	28,060,210
	<u>184,884,136</u>	<u>56,120,421</u>

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

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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. 185.677 million(2016: Rs 56.703 million)

The following are the contractual maturities of financial liabilities including estimated interest payments

	Carrying amount	Contractual cash flows	2017	
			Up to one year	More than one year
<b>Financial liabilities</b>				
Trade and other payables	160,738,317	160,738,317	160,738,317	-
Short term borrowings	336,456,505	336,456,505	336,456,505	-
Murabaha Finance	101,068,593	110,164,767	110,164,767	-
Accrued markup on short term borrowings	8,098,498	8,098,498	8,098,498	-
	606,361,912	615,458,086	615,458,086	-

30.2 **Fair value estimate**

In case of equity instruments, the Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 — inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

June 30, 2017	Level 1	Level 2	Level 3	Total
	----- Amount in Rupees -----			
<b>Financial assets</b>				
- Financial Assets-Available for sale				
Quoted Instruments	1,266,102,816	-	51,350	1,266,154,166
Unquoted Instruments				-
	1,266,102,816	-	51,350	1,266,154,166
<b>June 30, 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	----- Amount in Rupees -----			
<b>Financial assets</b>				
-Financial Assets-Available for sale				
Quoted Instruments	1,210,301,984	-	-	1,210,301,984
Unquoted Instruments				-
	1,210,301,984	-	-	1,210,301,984

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31 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('Murabaha Finance' and 'short term borrowings' as shown in the balance sheet). Total capital comprises shareholders' equity:

	2017	2016
	Rupees	
Total borrowings	437,525,098	701,377,841
Total Equity	1,031,061,891	835,227,568
Total Capital	<u>1,468,586,989</u>	<u>1,536,605,409</u>
Gearing ratio	<u>30%</u>	<u>46%</u>

32 INVESTMENT TURNOVER

Turnover during the period comprises of the following:

During the year ended June 30, 2017	Turnover in Value
Institution	27,270,046,055
Retail	194,337,718,584
Proprietary	127,156,351,958
<b>Total</b>	<b>348,764,116,596</b>

33 PATTERN OF SHAREHOLDING

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

	Percentage of holding	
	2017	2016
Muhammad Samin	40.62%	40.62%
Muhammad Taufiq	37.5%	37.5%
Farzana Taufiq	12.48%	12.48%

No change in pattern of shareholding above 5% percent during the financial year.

34 NUMBER OF EMPLOYEES

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

	2017 (Number)	2016 (Number)
Total number of employees as at	<u>30</u>	<u>28</u>
Average number of employees during the year	<u>29</u>	<u>25</u>

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**APPROVAL OF FINANCIAL STATEMENTS**

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

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**GENERAL**

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

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CHIEF EXECUTIVE



\_\_\_\_\_  
DIRECTOR