

Auditors' Report to the Members

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

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the 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 except for the changes disclosed in note 2.4 with which we concur;
 - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the profit, total 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 (XVIII of 1980).

The financial statements of company for the year ended June 30, 2015 were audited by M/s Fazal Mahmood & Co. Chartered accountants whose report dated October 02, 2015 expressed an unqualified opinion.

Lahore:
October 03, 2016

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

ABBASI AND COMPANY (PRIVATE) LIMITED

BALANCE SHEET

AS AT 30 JUNE 2016

	Note	2016	2015
		Rupees	
ASSETS			
NON CURRENT ASSETS			
Property and equipment	4.	231,483,199	226,373,539
Intangible assets	5.	2,374,686	1,390,000
Long term deposits	6.	20,187,086	9,168,571
Long term investment	7.	1,360,000	1,360,000
		255,404,971	238,292,110
CURRENT ASSETS			
Trade debts - unsecured and considered good		1,492,803	1,856,089
Short Term Investments	8.	38,116,650	61,059,085
Margin Deposit with PMEX		29,115,594	40,896,433
Advances, prepayments and other receivables	9.	4,906,325	9,593,549
Cash and bank balances	10.	335,912,175	275,182,052
		409,543,546	388,587,208
TOTAL ASSETS		664,948,517	626,879,318
EQUITY AND LIABILITIES			
CAPITAL & RESERVES			
Authorized Capital:			
5,000,000 (2015: 5,000,000) ordinary shares of Rs. 10 each		50,000,000	50,000,000
Issued, subscribed and paid up capital	11.	42,750,000	42,750,000
Reserves	12.	379,017,057	358,094,503
		421,767,057	400,844,503
NON CURRENT LIABILITIES			
Deferred liabilities	13.	3,734,763	4,944,278
		3,734,763	4,944,278
CURRENT LIABILITIES			
Trade and other payables	14.	228,245,617	209,453,265
Provision for taxation		11,201,079	11,637,272
		239,446,696	221,090,537
CONTINGENCIES AND COMMITMENTS	15.	-	-
TOTAL EQUITY AND LIABILITIES		664,948,517	626,879,318

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


 CHIEF EXECUTIVE


 DIRECTOR

ABBASI AND COMPANY (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		Rupees	
Brokerage revenue - net		77,176,393	60,754,205
Capital gain on sale of investments - net		3,951,500	8,843,969
Dividend income		2,369,356	4,495,744
		83,497,249	74,093,919
Finance cost	16.	(9,664)	(18,967)
Administrative and operating expenses	17.	(63,188,602)	(49,501,421)
Other income	18.	15,587,066	18,673,645
PROFIT BEFORE TAXATION		35,886,049	43,247,176
TAXATION	19.	(10,037,976)	(10,852,383)
PROFIT AFTER TAXATION		25,848,073	32,394,793
BASIC AND DILUTED EARNING PER SHARE	20.	6.05	7.58

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


CHIEF EXECUTIVE


DIRECTOR

ABBASI AND COMPANY (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		Rupees	
PROFIT AFTER TAXATION		25,848,073	32,394,793
OTHER COMPREHENSIVE INCOME			
<i>Items that may be re-classified subsequently to profit or loss account</i>			
<i>Available for sale financial assets:</i>			
Net fair value gain/(loss) on re-measurement of investments arising during the year		531,201	13,409,145
Less: Net unrealized fair value loss / (gain) realized on disposal of investments now included in profit and loss account (reclassification adjustment)		(5,456,720)	(2,928,572)
		(4,925,519)	10,480,573
<i>Items that will not be-classified subsequently to profit or loss account</i>			
TOTAL COMPREHENSIVE INCOME		20,922,554	42,875,366

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


Muhammad Ismail
 CHIEF EXECUTIVE


A. Abbasi
 DIRECTOR

ABBASI AND COMPANY (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	SHARE CAPITAL Issued, subscribed & paid up capital	CAPITAL RESERVE		REVENUE RESERVES			TOTAL EQUITY
		Share Premium Reserve	General Reserve	Surplus / (Deficit) on re-measurement of investments available	Un-appropriated Profit		
----- (IN RUPEES) -----							
Balance as at 01 July 2014	42,750,000	98,350,000	130,000,000	(3,032,598)	89,901,735	357,969,137	
Total comprehensive income							
Profit after taxation							
Other comprehensive income							
- Fair value (loss) on re-measurement of investments held as "available for sale" to fair value				13,409,145	-	13,409,145	
- Unrealized net fair value (gain), realized on disposal of investments held as "available for sale"				(2,928,572)	-	(2,928,572)	
- Transferred to General Reserve			70,000,000	-	(70,000,000)	-	
			70,000,000	10,480,573	(37,605,207)	42,875,366	
Balance as at 30 June 2015	42,750,000	98,350,000	200,000,000	7,447,975	52,296,528	400,844,503	
Total comprehensive income							
Profit after taxation							
Other comprehensive income							
- Fair value (loss) on re-measurement of investments held as "available for sale" to fair value				531,201	-	531,201	
- Unrealized net fair value gain realized on disposal of investments held as "available for sale"				(5,456,720)	-	(5,456,720)	
				(4,925,519)	25,848,073	20,922,554	
Balance as at 30 June 2016	42,750,000	98,350,000	200,000,000	2,522,456	78,144,601	421,767,057	

Balance as at 01 July 2014

Total comprehensive income

Profit after taxation

Other comprehensive income

- Fair value (loss) on re-measurement of investments held as "available for sale" to fair value

- Unrealized net fair value (gain), realized on disposal of investments held as "available for sale"

- Transferred to General Reserve

Balance as at 30 June 2015

Total comprehensive income

Profit after taxation

Other comprehensive income

- Fair value (loss) on re-measurement of investments held as "available for sale" to fair value

- Unrealized net fair value gain realized on disposal of investments held as "available for sale"

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

H. Muhammad Suhail
 CHIEF EXECUTIVE

S. Abbas
 DIRECTOR

ABBASI AND COMPANY (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
Rupees			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		35,886,049	43,247,176
Adjustments for:			
Depreciation		11,098,491	8,918,913
Amortization		68,314	22,500
Capital gain		(3,951,500)	(8,843,969)
(Gain)/Loss on sale of property and equipment		(673,944)	355,224
Cash flow from operating activities before working capital changes		42,427,410	43,699,844
Adjustments for working capital changes:			
(Increase)/ decrease in current assets			
Trade debts		363,286	129,673
Advances, prepayments & other receivables		25,093	4,065,952
(Decrease)/ increase in current liabilities			
Trade payables, accrued and other payables		30,625,154	78,918,958
Cash (used in) / generated from operating activities		31,013,533	83,114,584
Margin paid to PMEX		(51,963)	-
Income tax paid		(7,021,551)	(12,035,167)
Net cash (used in) / generated from operating activities		66,367,429	114,779,260
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale proceeds from disposal of property and equipment		1,972,072	8,743,000
Additions in property and equipment		(17,506,278)	(29,526,405)
Short term investments		21,968,416	13,721,646
Long term deposits		(11,018,515)	(317,551)
Computer Software		(1,053,000)	-
Net Cash (out flow) in Investing Activities		(5,637,305)	(7,379,310)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		60,730,123	107,399,949
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		275,182,052	167,782,103
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10.	335,912,175	275,182,052

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



CHIEF EXECUTIVE



DIRECTOR

ABBASI AND COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note

1. STATUS AND NATURE OF BUSINESS

The company is incorporated as a private limited company in Pakistan on February 13, 1999. The company is a TREC holder of Pakistan Stock Exchange Limited and has also acquired membership of the Pakistan Mercantile Exchange Limited (Formerly National Commodity Exchange Limited). It is principally engaged in the business of brokerage, underwriting, buying and selling of stocks, shares, madaraba certificates, etc.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

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

2.3: Functional and presentation currency

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

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

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

IFRS 10 - "Consolidated Financial Statements" outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee.

IFRS 11 - "Joint Arrangements" outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractually agreed sharing of control and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly).

IFRS 12 - "Disclosure of Interests in Other Entities" is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Disclosures are presented as a series of objectives, with detailed guidance on satisfying those objectives.

IFRS 13 - "Fair value measurement" establishes a single framework for measuring fair value and enhances or replaces the disclosures about fair value measurement. Further, it unifies the definition of fair values as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement dates. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

2.5 Standards, Interpretations and amendments to approved accounting standards that are not yet effective :

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation

<u>Standard, amendment or interpretation</u>	<u>Effective Date</u> (Annual periods beginning or after)
IFRS 5 - Non-current assets held for sale and discontinued operations - Annual improvements to IFRSs	January 01, 2016
IFRS 7 - Financial Instruments: Disclosures - Annual improvements to IFRSs	January 01, 2016
IFRS 10 - Consolidated Financial Statements and IAS 28 - Investment in Associates and Joint Ventures - Sale or contribution of Assets between an investor and its Associate or Joint Venture	January 01, 2016

IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests In Other Entities and IAS 27 - Separate Financial Statements - Investment Entities: Applying the Consolidation Exception	January 01, 2016
IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation	January 01, 2016
IAS 7 - Statement of Cash Flows - Disclosure initiative	January 01, 2017
IAS 12 - Income Taxes - Recognition of deferred tax assets for unrealised losses	January 01, 2017
IAS 1 - Presentation of Financial Statements - Disclosure Initiative	January 01, 2018
IAS 16 - Property, Plant & Equipment and IAS 38 - Intangible assets- Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 16 - Property, Plant & Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants	January 01, 2016
IAS 19 - Employee Benefits - Annual Improvements to IFRSs	January 01, 2016
IAS 27 - Separate Financial statements - Equity Method in Separate Financial Statements	January 01, 2016
IAS 34 - Interim Financial Reporting - Annual Improvements to IFRSs	January 01, 2016

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

2.6. **New standards that have been issued by IASB, but have not yet been notified by the SECP for the purpose of applicability in Pakistan Standards**

IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 15 - Revenue with contracts with customers	01 January 2018
IFRS 16 - Leases	01 January 2019

2.7. **Use of Estimate & Judgment**

The preparation of financial statements in conformity with International Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Significant areas requiring the use of management estimates in the financial statements relates to provision for doubtful balances, provision for income taxes, useful life and residual values of property plant and equipment etc. However, assumptions and judgment made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in next year.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in respective policy notes.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

3.1 **Tangible fixed assets - Property, Plant and Equipment and Depreciation**

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

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

3.2 Intangible assets

These include computer software, membership cards and trading rights entitlement certificate.

a) Finite useful life

These are measured on initial recognition at cost. Following initial recognition these are carried at cost less accumulated amortization and accumulated impairment losses, if any. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and where carrying values exceed estimated recoverable amount, these are written down to their estimated recoverable amount. Intangible assets are amortized using the reducing balance method over their useful life.

b) Infinite useful life

These are measured on initial recognition at cost. Following initial recognition these are carried at cost less accumulated impairment, if any. Cost on initial recognition in an acquisition transaction is determined as the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of asset acquisition. When there is an exchange of assets and the fair value of neither the asset received nor the asset given up can be reliably measured, the cost of the asset received should be measured at the carrying amount of the asset given up. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and where carrying values exceed estimated recoverable amount, these are written down to their estimated recoverable amount.

3.3 Investments

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. The cost of investments acquired in exchange transaction is measured at the carrying value of the asset with which it has been exchanged.

a) Available for sale

These are initially recognized at cost and at subsequent reporting dates measured at fair values. Gains or losses from changes in fair values are taken to other comprehensive income until disposal at which time these are recycled to profit and loss account.

b) Loans and Receivables

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

c) Available for sale - unquoted at cost

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

3.4 Trade Receivables

These are stated net of provision. Full provisions are made against the debts considered doubtful. This includes receivable from members of stock exchange and customers.

3.5 Other receivables

Other receivables are recognized at nominal amount which is the fair value of the consideration to be received less an allowance for any uncollectible amount.

3.6 Revenue recognition

Brokerage fee are recognized as and when services are provided. Capital gains or losses on sale of investment are taken to income in the year in which they arise. Dividend income is recognized when the right to receive the dividend is established. Return on securities other than shares is recognized as and when it is due on accrual basis.

3.7 Borrowing Costs

Mark-up, interest and other charges on borrowings which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs i.e. mark-up, interest and other charges are charged to the profit and loss account in the period in which they are incurred.

3.8 Foreign Currency Translation

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies at the year end are translated at exchange rates prevailing at the balance sheet date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Exchange differences are included in profit and loss account for the year.

3.9 Trade & other payables

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

3.10 Taxation

Provision of current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred tax is accounted for using the liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

3.11 Employees Retirement Benefits

a) Defined contribution plan:

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

b) Provisions

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

3.12 Impairment

a) Financial Assets

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

b) Non-Financial Assets

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

3.13 Dividend & Appropriation to reserves

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

3.14 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

3.15 Earning per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.16 Share Capital

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

3.17 Financial Instruments

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost as the case may be. A financial asset is de-recognized when the company loses control of its contractual rights that comprise the financial asset. A financial liability is de-recognized when it is extinguished. Any gain or loss on de-recognition of the financial assets or liabilities is taken to profit and loss account currently. The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

3.18 Off Setting of Financial Assets and Financial Liabilities

A financial asset and a financial liability is off set and the net amount is reported in the balance sheet if the company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4. PROPERTY AND EQUIPMENT

	Freehold land	Building on freehold land	Furniture & fixtures	Office equipment	Computers	Vehicles	Total
As at 01 July 2014							
Cost	164,257,807	52,112,577	2,180,866	13,428,228	9,661,858	22,796,324	264,437,660
Accumulated Depreciation	-	23,882,407	1,429,613	6,531,787	8,590,162	9,139,420	49,573,389
Net Book Value	164,257,807	28,230,170	751,253	6,896,441	1,071,696	13,656,904	214,864,271
Year ended 30 June 2015							
Opening Net Book Value	164,257,807	28,230,170	751,253	6,896,441	1,071,696	13,656,904	214,864,271
Additions	-	-	-	163,000	3,520,581	25,842,824	29,526,405
Disposals	-	-	-	-	-	(9,098,224)	(9,098,224)
Depreciation	-	(2,823,017)	(75,125)	(704,290)	(951,402)	(4,365,079)	(8,918,913)
Closing Net Book Value	164,257,807	25,407,153	676,128	6,355,151	3,640,875	26,036,425	226,373,539
As at 30 June 2015							
Cost	164,257,807	52,112,577	2,180,866	13,591,228	13,182,439	34,661,987	279,986,904
Accumulated Depreciation	-	26,705,424	1,904,738	7,236,076	9,541,564	8,825,562	53,613,365
Net Book Value	164,257,807	25,407,153	676,128	6,355,152	3,640,875	26,036,425	226,373,539
Year ended 30 June 2016							
Opening Net Book Value	164,257,807	25,407,153	676,128	6,355,152	3,640,875	26,036,425	226,373,539
Additions	-	-	225,865	-	1,221,825	16,058,588	17,506,278
Disposals	-	-	-	-	-	-	-
Cost	-	-	-	-	-	(4,136,439)	(4,136,439)
Accumulated Depreciation	-	-	-	-	-	2,838,312	2,838,312
Depreciation	-	(2,540,715)	(72,565)	(635,515)	(1,262,742)	(6,586,954)	(11,098,491)
Closing Net Book Value	164,257,807	22,866,438	829,428	5,719,636	3,599,958	34,209,932	231,483,199
As at 30 June 2016							
Cost	164,257,807	52,112,577	2,406,731	13,591,228	14,404,264	46,584,136	293,356,743
Accumulated Depreciation	-	29,246,139	1,577,303	7,871,591	10,804,306	12,374,204	61,873,544
Net Book Value	164,257,807	22,866,438	829,428	5,719,636	3,599,958	34,209,932	231,483,199
Rate of Depreciation (%)	-	10%	10%	10%	30%	20%	

Statement of Disposals:

Sr#	Description	Buyer	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sales proceeds	Gain / (Loss)
1.	Motor Car	Employee	Company Policy	705,600	473,557	232,043	349,066	117,023
2.	Motor Car	Employee	Company Policy	705,600	476,537	229,063	348,884	119,821
3.	Motor Car	3rd Party	Negotiation	1,942,089	1,355,333	586,756	895,000	308,244
4.	Motor Car	Employee	Company Policy	717,650	483,685	233,965	353,122	119,157
5.	Motor Bike	Employee	Company Policy	65,500	49,200	16,300	26,000	9,700
				4,136,439	2,838,312	1,298,127	1,972,072	673,945

Note

2016

2015

Rupees

5. INTANGIBLE ASSETS

Computer Software	5.1	984,686	-
Membership card	5.2	750,000	750,000
Trading rights entitlement certificate	5.3	640,000	640,000
		2,374,686	1,390,000

5.1 COMPUTER SOFTWARE - FINITE USEFUL LIFE

As at July 1,			
Cost		4,981,279	4,981,279
Accumulated amortization		4,981,279	4,958,779
Net Book Value		-	22,500
Year ended June 30,			
Opening Net Book Value		-	22,500
Additions		1,053,000	-
Amortization		(68,314)	(22,500)
Closing Net Book Value		984,686	-

	Note	2016	2015
		Rupees	
As at June 30,			
Cost		6,034,279	4,981,279
Accumulated amortization		5,049,593	4,981,279
Net Book Value		984,686	-
		20%	20%

5.2 MEMBERSHIP CARD - INFINITE USEFUL LIFE

Pakistan Mercantile Exchange Limited		750,000	750,000
		750,000	750,000

5.3 TRADING RIGHTS ENTITLEMENT CERTIFICATE - INFINITE USEFUL LIFE

Pakistan Stock Exchange Limited - at cost	5.3.1	640,000	640,000
		640,000	640,000

5.3.1 This represents trading rights in Pakistan Stock Exchange (Previously Lahore Stock Exchange limited) which have replaced membership cards of stock exchanges pursuant to the promulgation of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the 2012 Act). Subsequently from 11th January 2016 Lahore, Islamabad and Karachi Stock Exchanges have been integrated to form Pakistan Stock Exchange with the approval of SECP. Before demutualization in 2012 the stock exchanges were functioning as Guarantee Limited Companies, wherein ownership and trading rights were conferred to members through membership cards. Pursuant to demutualization, the ownership in a stock exchange has been segregated from the right to trade on the exchange. Therefore the membership cards were replaced by shares in the exchange representing ownership in the exchange and trading rights entitlement certificates (TREC) representing rights to trade in the exchange. As a result 843,975 shares of Rs.10/- each were been allotted to the Company out of which 60% of the shares were blocked in a separate account held with CDC and would be sold to strategic investors and general public in future at a price which remains to be finalized, proceeds of which would come to the members, while the remaining 40% were available to members with no condition on their future sale. The Institute of Chartered Accountants of Pakistan in its 'selected opinion' concluded that the demutualization, in substance, had not resulted in exchange of dissimilar assets, and therefore no gain or loss should be recognized and the segregation of ownership rights and the trading rights should be accounted for by allocating the cost/carrying value of the membership card between the two distinct assets on a reasonable basis. The TREC can only be sold or transferred once, however once sold it would not be sellable / transferable again. The transaction is in nature an exchange of an intangible asset (membership card) with a financial asset (shares) together with an intangible asset (TREC).

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

Taking to account the above factors and in the absence of an active market for TREC and shares, the value of the TREC and shares was initially measured at the value of the membership card with which they were exchanged and subsequently carried at cost. For this purpose, the value of the membership card was allocated between TREC and Shares on proportionate basis at the initial ratio of 32:68 which was determined on the basis of the estimated values of LSE shares (Rs. 8.439 million) and TREC (Rs. 4.0 million). Resultantly the shares have been recognized at Rs. 1.360 million and TREC at Rs. 0.640 million. Institute of Chartered Accountants of Pakistan further in its 'selected opinion' stated that the apportioned carrying value would be required to be tested for impairment as per IAS 36, if any. When the management and the auditor conclude that there is no impairment, they may continue to use the apportioned carrying value.

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

6. LONG TERM DEPOSITS

Deposit with Central Depository Company of Pakistan Limited.		100,000	100,000
Deposit with LSE.		30,000	30,000
Mobile deposit		90,500	90,500
Electricity & Sui gas deposit		110,200	110,200
Deposit with NCCPL.		200,000	200,000
Building deposit with PMEX		2,500,000	2,500,000
Clearing deposit with PMEX.		5,626,386	5,637,871
Deposit for Sialkot and Faisalabad trading Floors & booth		130,000	100,000
Security Deposit LSE Clearing House Initial		400,000	400,000
Exposure deposit with PSX.		11,000,000	-
		20,187,086	9,168,571

7. LONG TERM INVESTMENT

Available for sale - unquoted at cost:

843,975 Ordinary shares of LSE Financial Services Limited (Previously Lahore Stock Exchange Limited) (refer note 13.1)	7-1	1,360,000	1,360,000
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7.1 This includes 506,385 shares that are blocked in a separate account held with CDC and would be sold to strategic investors and general public in future.

	Note	2016	2015
Rupees			
8. SHORT TERM INVESTMENTS			
<u>Available for sale:</u>			
Shares of listed companies - at fair value	8.1	38,116,650	61,059,085
		38,116,650	61,059,085
8.1 In Shares of quoted Company			
		Number of Shares	
		2016	2015
			Rupees
		2016	2015
PAKISTAN REFINERY		29,500	-
BANK OF PUNJAB		-	660,247
SHAKARGANJ MILLS		86,000	5,500
ENGRO FOODS		126,000	128,000
PAKISTAN PETROLIUM LIMITED		-	12,500
FUJI FERTILIZERS LIMITED		-	150,000
SAIF POWER LIMITED		35,000	75,000
KOHINOOR ENERGY LIMITED		-	5,000
PECTO CEMENT		18,000	-
NATIONAL BANK		100,000	-
IBL HEALTHCARE LIMITED		-	12,500
PACKAGES LILTED		3,000	-
PAKCEM (LAFARGE CEMENT)		100,000	-
ASKARI BANK LIMITED		100,000	35,000
BURSHANE LPG PAKISTAN		3,000	5,000
NIMAR INDUSTRIES CHEMICAL		-	42,500
SEARLE PAK		-	14,000
POWER CEMENT		35,000	-
		38,116,650	61,059,085
9. ADVANCES, PREPAYMENTS OTHER RECEIVABLES			
Advances to employees		816,000	387,000
Advance Income tax		4,086,134	8,748,265
Other advances		4,191	28,431
Prepayments		-	429,853
		4,906,325	9,593,549
10. CASH AND BANK BALANCES			
Cash in hand		8,004,387	10,818,568
Cash at bank			
-In Current accounts		4,040,376	3,656,426
-In Saving accounts	10.1	323,867,412	260,707,059
		327,907,788	264,363,484
		335,912,175	275,182,052
10.1	This carries profit rate of 6.15% (2015: 6%) per annum.		
11. ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
3,875,000 Ordinary share of Rs. 10/- each fully paid in cash.		38,750,000	38,750,000
400,000 Ordinary share of Rs. 10/- each issued for consideration other than cash.		4,000,000	4,000,000
		42,750,000	42,750,000
12. RESERVES			
<u>Capital reserve</u>			
Share premium reserves		98,350,000	98,350,000
<u>Revenue reserve</u>			
General Reserve		200,000,000	200,000,000
Unrealized (loss) on re-measurement of available for sale investments	12.1	2,522,456	7,447,975
Un-appropriated profit		78,144,601	52,296,528
		280,667,057	259,744,503
		379,017,057	358,094,503
12.1 <u>Un-realized (loss) / gain on available for sale investments</u>			
Opening balance		7,447,975	(3,032,598)
Add: (loss) due to change in fair value		531,201	13,409,145
(Loss) / gain reclassified to profit and loss account on sale of investments		(5,456,720)	(2,928,572)
		2,522,456	7,447,975

	Note	2016	2015
		Rupees	
13. DEFERRED LIABILITIES			
Deferred taxation	13.1	3,734,763	4,944,278
13.1 Deferred tax liability comprises of the following taxable temporary differences:			
Accelerated tax depreciation		3,734,763	4,944,278
		3,734,763	4,944,278
14. TRADE AND OTHER PAYABLES			
Creditors		194,320,375	164,616,781
Accrued expenses		663,887	484,919
Margin with PMEX payable to clients		29,063,631	40,896,433
Other liabilities		4,197,724	3,455,132
		228,245,617	209,453,265
15. CONTINGENCIES AND COMMITMENTS			
There are no contingencies and commitments as at 30 June 2016 (2015: Nil)			
16. FINANCE COST			
Bank charges		9,664	18,967
		9,664	18,967
17. ADMINISTRATIVE AND OPERATING EXPENSES			
Directors' remuneration		6,403,900	5,410,400
Salaries and other benefits		20,004,934	17,016,312
Provident Fund		753,387	758,264
Utility expenses		4,269,053	3,364,875
Traveling and conveyance		8,499	9,000
Agent commission		3,548,892	2,700,571
L.S.E, MCF charges		2	1,272
Investor protection fund		65,747	1,272
Clearing house fee		273,359	2,545
N.C.C.L Service charges		-	-
Fax & Internet expenses		1,565,955	1,384,174
Postage and telegram & SMS charges		249,696	286,373
Parcels		164,446	89,344
Insurance		1,525,881	754,874
Auditors' Remuneration		250,000	125,000
Legal and professional charges		483,200	248,000
Vehicle running and maintenance		2,798,204	2,553,543
Newspapers and periodicals		49,591	51,244
Printing and stationery		334,627	473,670
Advertisement		-	2,980
Loss on sale of property, plant and equipment		-	355,224
Repair and maintenance		3,496,602	1,796,110
Fee and subscription		1,272,214	213,207
Rent, Rates & Taxes		682,556	569,275
Donation	18.1	453,971	283,047
Entertainment		682,730	497,348
Computer expenses		1,636,680	571,457
Other expenses		1,047,673	1,040,627
Amortization	5.1	68,314	22,500
Depreciation	4.	11,098,491	8,918,913
		63,188,602	49,501,421
18.1 None of the directors and their spouses have any interest in donee's fund to which donations are made:			
18. OTHER INCOME			
<u>Income from financial assets</u>			
Interest / profit			
- on deposits with banks		14,558,599	17,303,786
<u>Income from non financial assets</u>			
Miscellaneous income		121,665	141,399
Gain on sale of property, plant and equipment		673,944	-
Client facilitation & services		17,403	1,228,460
Return on PSX Exposure deposit & PMEX deposit		215,455	-
		15,587,066	18,673,645

Rupees

19. TAXATIONCurrent

- For the year		11,201,079	11,637,272
- Prior years		46,412	(48,860)

Deferred

- For the year		(1,209,515)	(736,029)
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19.1

10,037,976

10,852,383

19.1 Reconciliation of income tax expense for the year

Profit before taxation		35,886,049	43,247,176
Applicable tax rate		32%	33%
Tax calculated as the applicable tax rate		11,483,536	14,271,568
Tax effect of :			
- Tax effect of amounts that are admissible for tax purposes		(9,275,494)	(8,895,900)
- Tax effect of amounts that are inadmissible for tax purposes		3,694,191	2,950,666
- Tax effect relating to prior years		46,412	(48,860)
- Tax effect of timing differences		(1,209,515)	(736,029)
- Tax credits		(145,271)	(93,406)
- Others		5,444,117	1,404,342
		10,037,976	10,852,383

20. BASIC AND DILUTED EARNING PER SHARE

There is no dilutive effect on the basic earning per share of the company, which is based on :

Profit after taxation		25,848,073	32,394,793
Weighted average number of Ordinary shares		4,275,000	4,275,000
Earnings per share (Rupees)		6.05	7.58

21. REMUNERATION OF CHIEF EXECUTIVE & DIRECTORS

The aggregate amount charged in the accounts during the year for remuneration including benefits to Executives is as follows:

	June 30, 2016			June 30, 2015		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Remuneration	2,445,800	3,958,100	9,755,207	2,160,800	3,249,600	6,336,769
Provident Fund	122,004	180,006	273,393	115,198	169,196	265,390
	2,567,804	4,138,106	10,028,600	2,275,998	3,418,796	6,602,159
Number of Persons	1	2	8	1	2	6

No meeting fee has been paid to any director of the company during the year (2015: Rs. Nil). Five Executives are provided with company maintained car for business and personal use.

22. RELATED PARTY DISCLOSURES

Related parties comprise entities with common directorship or under influence, directors and key management personnel. Details of transactions with related parties during the year have specifically been disclosed elsewhere in these financial statements, where applicable.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**23.1 Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

A Committee oversees how management monitors compliance with the company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Committee is assisted in its oversight role by Internal Audit department. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

		Note	2016	2015	
		Rupees			
23.2	<u>Financial assets and liabilities by category and their respective maturities</u>	30 June 2016		30 June 2015	
		Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year
		Rs.			
<u>Financial Asset</u>					
Loans and Receivable at Amortised Cost					
	Long term deposits	-	20,187,086	-	9,168,571
	Long term Investment	-	1,360,000	-	1,360,000
	Trade debts - unsecured and considered good	1,492,803	-	1,856,089	-
	Advances, prepayments and other receivables	820,191	-	415,431	-
	Margin Deposit with PMEX	29,115,594	-	40,896,433	-
	Cash and bank balances	335,912,175	-	275,182,052	-
Available for Sale at Fair Value					
	Short Term Investments	38,116,650	-	61,059,085	-
Total		405,457,412	21,547,086	379,409,090	10,528,571
		30 June 2016		30 June 2015	
		Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year
		Rs.			
<u>Other Financial Liabilities at Amortised cost</u>					
	Trade Payables	194,320,375	-	164,616,781	-
	Accruals	663,887	-	484,919	-
	Margin with PMEX payable to clients	29,063,631	-	40,896,433	-
	Other payables	4,197,724	-	3,455,132	-
Total		228,245,617	-	209,453,265	-

23.3 Fair Values 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 market price (unadjusted) in an active market.

Level 2 : Valuation techniques based on observable inputs.

Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

i) Fair value at initial recognition

The Company takes in to account factors specific to the transaction and to the asset or liability, when determining whether or not the fair value at initial recognition equals the transaction price. Except for long term deposits, Long term investment, and Employee Vehicle Scheme the fair value of financial assets and financial liabilities recognised in these financial statements equals the transaction price at initial recognition. Due to immaterial effect the fair value of the long-term deposits, long term investment and employee vehicle scheme has not been determined and their carrying value has been assumed to be equal to their fair value.

ii) Valuation techniques and inputs used

For instruments carried at amortized cost, since majority of the interest bearing instruments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are of short term in nature, fair value significantly approximates to carrying value.

iii) Fair value of the Company's financial assets and liabilities that are measured at fair value on recurring basis after initial recognition

The company uses widely recognized valuation techniques, for determining the fair value of assets and liabilities, that use only observable market data and require little management judgement and estimation. The short term investments held for trading has been categorised as level 1.

- iv) Fair value of the Company's financial assets and liabilities that are not measured at fair value after Initial recognition
The carrying amount of financial assets and financial liabilities recognized in these financial statements approximate their respective fair values. Fair values of financial assets and liabilities carried at amortized cost.

	Level	June 30, 2016		June 30, 2015	
		Carrying Value	Fair Value	Carrying Value	Fair Value
----- Rupees -----					
Financial assets carried at Fair Value:					
Short Term Investments	Level 1	38,116,650	38,116,650	61,059,085	61,059,085

- v) Determination of fair values:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

- a) Non-derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

- b) Non-derivative financial liabilities:

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

23.4 Financial Risk Factors

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

- Credit Risk
- Liquidity Risk
- Market Risk

23.5 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking to account of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, deposits, long term investments and short term investments and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients, the management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery. The Company's management as part of risk management policies and guidelines, reviews clients' financial position, considers past experience and other factors, and obtains necessary collaterals to reduce credit risks. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

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

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

Loans & Receivables		
Long term deposits		20,187,086
Long term investment		1,360,000
Trade debts - unsecured and considered good		1,492,803
Advances, prepayments and other receivables		820,191
Margin Deposit with PMEX		29,115,594
Bank balances		327,907,788
Available for Sale		
Short Term Investments		38,116,650
		419,000,111
		379,119,093

i) Credit quality and impairment:

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. Counterparties, with the exception of long-term deposits, long term investment, trade debts and other receivables have external credit ratings determined by various credit rating agencies.

a) Counterparties without external credit ratings:

The counterparties for which external credit ratings are not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations. These mainly include long-term deposits, long term investment, trade debts and other receivables which are considered good.

b) Counterparties with external credit ratings:

These include banking companies and financial institutions which are counterparties to cash deposits, term deposits & margin deposits thereon etc.

Following are the credit ratings of the counterparties with external credit ratings:

Bank Name	Agency	ST Rating	LT Rating		
MCB Bank Ltd	PACRA	AAA	A1+	5,257,146	3,911,851
Allied Bank Ltd	PACRA	AA+	A1+	250,008	10,008
Habib Bank Ltd	JCR-VIS	AAA	A1+	17,856	17,926
Bank Al Habib Ltd	PACRA	AA+	A1+	322,318,923	260,367,594
Bank Alfalah Ltd	PACRA	AA	A1+	63,856	56,106
				327,907,788	264,363,484

23.6 LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines. The following are the contractual maturities of the financial liabilities. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Maturity up to One Year:

Trade Payables	194,320,375	164,616,781
Accruals	663,887	484,919
Margin with PMEX payable to clients	29,063,631	40,896,433
Other payables	4,197,724	3,455,132
	228,245,617	209,453,265

23.7 MARKET RISK

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

Foreign Exchange Risk Management

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

Interest Rate Risk

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

Price Risk

Price risk represents the risk that fair value of financial instrument will fluctuate because of changes in the market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factor affecting all or similar financial instruments traded in the market. The company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 38.116 Million (2015: Rs. 61.059) Million at the balance sheet date. The company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

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.

24. CAPITAL RISK MANAGEMENT

The company's objective when managing capital is to safe guard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stake holders; and to maintain strong capital base to support the development of its business.

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

25. NUMBER OF EMPLOYEES

Number of employees at year end	52	47
Average number of employees during the year	50	47

26. PROVIDENT FUND TRUST

The Company has maintained an employees' provident fund trust and investments out of the provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance 1984 and the rules formulated for this purpose. The salient features of the fund are:

Size of Fund		9,775,564	8,781,975
Cost of Investments made	26.1	11,848	221,303
Percentage of Investments made		0.12%	2.52%
Fair value of investments		20,456	268,570

26.1 These represent investments in shares of listed equity securities and funds.

27. CORRESPONDING FIGURES

Comparative figures have been re-arranged / reclassified, wherever necessary, to facilitate comparison. Following rearrangements have been made in these financial statements for better presentation of the financial statements.

<u>Reclassification from</u>	<u>Reclassification To</u>	Amount In Rupees
BALANCE SHEET	BALANCE SHEET	
Accrued expenses	Trade and other payables	484,919
Margin with PMEX payable to clients	Trade and other payables	40,896,433
Other liabilities	Trade and other payables	3,455,132
PROFIT AND LOSS ACCOUNT	PROFIT AND LOSS ACCOUNT	
Loss on sale of property, plant and equipment	Administrative and operating expenses	355,224

28. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 03 October 2016 by the Board of Directors of the Company.

29. GENERAL

- Figures have been rounded off to the nearest rupee.


CHIEF EXECUTIVE


DIRECTOR



DIRECTOR'S REPORT

The Directors of the Company take pleasure in presenting director's report together with the company's audited annual financial statements for the year ended June 30, 2016.

RESULTS

The operating results for the year ended review are as under:

	<u>Rupees</u>
Profit before taxation	35,886,049
Less: Taxation.	10,037,976
Profit after taxation	25,848,073
Balance brought forward from previous Year	52,296,528
Balance Carried to Balance Sheet	78,144,601

COMPANY PERFORMANCE

The year under review shows a progressive year for the Company. The financial results during the year show increase in terms of Brokerage revenue as compared to last year.

EPS

The Basic and Diluted Earning per share is Rs. 6.05

DIVIDEND

No dividend has been declared during the year as the management is planning to expand the business activities.

FUTURE PROSPECTS

The company expects better prospects in the coming years and the Directors by the Grace of Allah hope that during the coming years brokerage income and capital gain of the company will increase. The Directors are making continuous efforts to expand its current customer base.



AUDITORS

The auditors **M/S PAKER RANDALL INTERNATIONAL** Chartered Accountants have offered them self for appointment.

EMPLOYEES MANAGEMENT RELATIONS

The Board of Directors appreciates the hard work of the entire team of employees of the Company and applauds the cordial relationship that exists between the employees and the management.

We bow, beg and pray to Almighty Allah, Rahman-e-Rahim, in the name of our beloved Prophet, Muhammad, peace be upon Him, for continued showering of His Blessings, Guidance, and Prosperity on us, our company and our beloved country Pakistan. Ameen.

For and on behalf of the Board of Directors

Syed Muhammad Ismail Abbasi
Chief Executive
Abbasi & Company (PVT) Limited



Lahore
October 7th, 2016