

Pearl Securities Limited
Financial Statements
For the year ended 30 June 2017

Auditors' Report to the Members


We have audited the annexed balance sheet of Pearl Securities Limited ("the Company") as at 30 June 2017 and the related profit and loss account, statement of comprehensive income, statement of cash flows 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 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 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 misstatements. An audit includes examining, on a test basis, evidence supporting 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;
 - 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, statement of cash flows 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 30 June 2017 and of the profit, cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat has been deducted at source under the Zakat and Ushr Ordinance, 1980.

Date: **23 SEP 2017**
Karachi


Chartered Accountants
Sohail Saleem

Pearl Securities Limited

Balance Sheet


As at 30 June 2017

	Note	2017	2016
		(Rupees)	
SHARE CAPITAL & RESERVES			
Authorized capital			
50,000,000 (2016: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up capital	4	144,136,000	144,136,000
Unappropriated profit		175,067,105	153,144,431
Unrealised gain on available-for-sale investments		363,410,972	270,724,938
		682,614,077	568,005,369
NON-CURRENT LIABILITIES			
Term finance facility - secured	5	150,000,000	368,000,000
Gratuity provision	6	17,454,000	-
Deferred tax	7	5,326,882	-
CURRENT LIABILITIES			
Trade creditors, accrued and other liabilities	8	444,194,368	218,038,439
Accrued markup		51,323,396	38,804,339
Short term borrowings	9	2,312,483,884	2,161,845,078
		2,808,001,648	2,418,687,856
		3,663,396,607	3,354,693,225
Contingencies and commitments			
	10		
NON-CURRENT ASSETS			
Property and equipment	11	71,211,837	43,877,007
Intangible assets	12	5,785,000	6,436,253
Deferred tax	7	-	13,741
Long term investments	13	62,182,322	14,965,000
Long term deposits	14	12,850,079	12,188,146
		152,029,238	77,480,147
CURRENT ASSETS			
Short term investments	15	1,624,742,939	1,750,062,930
Receivable against margin financing transactions		434,538,232	321,847,292
Trade debts	16	1,233,102,456	1,049,275,509
Advances, deposits, prepayments and other receivables	17	32,463,595	10,103,397
Taxation - net		5,084,514	31,451,783
Cash and bank balances	18	181,435,633	114,472,167
		3,511,367,369	3,277,213,078
		3,663,396,607	3,354,693,225

The annexed notes 1 to 33 form an integral part of these financial statements.



Chief Executive



Director

Pearl Securities Limited

Profit and Loss Account

For the year ended 30 June 2017

	Note	2017 ----- (Rupees) -----	2016 -----
Operating revenue	19	321,689,582	337,256,756
Capital (loss) / gain on short term investments		150,471,836	19,893,413
Administrative and operating expenses	20	(204,933,972)	(160,955,736)
Operating profit		<u>267,227,446</u>	<u>196,194,433</u>
Finance cost	21	(216,889,758)	(227,858,960)
		<u>50,337,688</u>	<u>(31,664,527)</u>
Other income	22	83,590,839	90,134,970
Profit before taxation		<u>133,928,527</u>	<u>58,470,443</u>
Taxation			
- Current		(53,158,533)	(24,023,326)
- Prior years		(17,472,697)	-
- Deferred		(5,340,623)	(409,414)
	23	<u>(75,971,853)</u>	<u>(24,432,740)</u>
Profit after taxation		<u><u>57,956,674</u></u>	<u><u>34,037,703</u></u>
Earnings per share - basic and diluted	24	<u><u>4.02</u></u>	<u><u>2.36</u></u>

The annexed notes 1 to 33 form an integral part of these financial statements.



Chief Executive



Director

Pearl Securities Limited

Statement of Comprehensive Income

For the year ended 30 June 2017

	2017	2016
	----- (Rupees) -----	
Profit after taxation for the year	57,956,674	34,037,703
Other comprehensive income for the year		
Unrealised gain / (loss) on available-for-sale investments	92,686,034	(178,710,160)
Total comprehensive income for the year	<u>150,642,708</u>	<u>(144,672,457)</u>

The annexed notes 1 to 33 form an integral part of these financial statements.



Chief Executive



Director

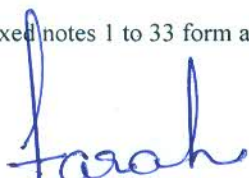
Pearl Securities Limited

Statement of Cash flows

For the year ended 30 June 2017

	Note	2017	2016
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		133,928,527	58,470,443
<i>Adjustments for:</i>			
- Depreciation		5,729,965	4,834,417
- Amortization		1,242,273	254,680
- Unrealized loss on held-for-trading investments		13,388,588	10,337,718
- Provision for gratuity		17,454,000	-
- Loss / (gain) on disposal of fixed assets		438,832	(2,750,796)
- Finance cost		216,889,758	227,858,960
Cash generated from operating activities before working capital changes		255,143,416	240,534,979
<i>(Increase) / decrease in current assets</i>			
Trade debts		(296,517,887)	(444,137,402)
Advances, deposits, prepayments and other receivables		(22,360,198)	65,305,735
<i>(Decrease) / increase in current liabilities</i>			
Trade creditors, accrued and other liabilities		226,155,929	(11,241,007)
Short term borrowings		150,638,806	(640,804,445)
		57,916,650	(1,030,877,119)
Financial charges paid		(204,370,701)	(232,018,942)
Gratuity paid		(324,000)	-
Taxes paid		(44,263,961)	(55,898,264)
Net cash (used in) / generated from operating activities		198,029,931	(1,019,788,903)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(33,579,728)	(13,138,118)
Proceeds from disposal of property and equipment		76,101	4,059,722
Net proceeds on sale of short term investments		157,133,094	1,150,999,515
Long term deposits		(661,933)	(6,528,337)
Net cash generated from / (used in) investing activities		122,967,534	1,135,392,782
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(36,034,000)	(54,051,000)
(Repayments) / proceeds from long term loan		(218,000,000)	(57,000,000)
Net cash (used in) / generated from financing activities		(254,034,000)	(111,051,000)
Net increase in cash and cash equivalents		66,963,466	4,552,879
Cash and cash equivalents at the beginning of the year		114,472,167	109,919,288
Cash and cash equivalents at the end of the year	25.	181,435,633	114,472,167

The annexed notes 1 to 33 form an integral part of these financial statements.



Chief Executive



Director

Pearl Securities Limited

Statement of Changes in Equity

For the year ended 30 June 2017

	Issued, subscribed & paid-up capital	Unappropriated profit	Unrealised gain on available-for- sale investments	Total Equity
	----- (Rupees) -----			
Balance as at 01 July 2015	144,136,000	173,157,728	449,435,098	766,728,826
Profit after taxation for the year	-	34,037,703	-	34,037,703
<i>Other comprehensive income</i>				
Unrealised loss on available-for-sale investments	-	-	(178,710,160)	(178,710,160)
<i>Transactions with owners</i>				
Final Dividend for the year ended 30 June 2016 at the rate of Rs. 3.75 per share	-	(54,051,000)	-	(54,051,000)
Balance as at 30 June 2016	144,136,000	153,144,431	270,724,938	568,005,369
Total comprehensive income for the year ended 30 June 2016				
Profit after taxation for the year	-	57,956,674	-	57,956,674
<i>Other comprehensive income</i>				
Unrealised gain on available-for-sale investments	-	-	92,686,034	92,686,034
<i>Transactions with owners</i>				
Final Dividend for the year ended 30 June 2017 at the rate of Rs. 2.50 per share	-	(36,034,000)	-	(36,034,000)
Balance as at 30 June 2017	144,136,000	175,067,105	363,410,972	682,614,077

The annexed notes 1 to 33 form an integral part of these financial statements.


Chief Executive


Director

Pearl Securities Limited

Notes to the Financial Statements

For the year ended 30 June 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

Pearl Securities Limited (the Company) was incorporated as a private limited company on May 8, 2000 under the Companies Ordinance, 1984 and was subsequently converted into a public limited Company on April 27, 2009. The Company is a corporate member of Pakistan Stock Exchange Limited (PSX).

The Company is a Trading Right Entitlement Certificate (TREC) holder of PSX and a member of Pakistan Mercantile Exchange Limited (PMEX). The Company is principally engaged in brokerage of shares, stocks, securities, commodities and other financial instruments, securities research, financial consultancy and underwriting. The registered office of the Company is situated at Office No. 204, 2nd floor, Business and Finance Centre I. I. Chundrigar Road, Karachi.

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. As per the requirements of Circular no. CLD/CCD/PR(11)/2017 dated July 20, 2017 issued by the Securities & Exchange Commission of Pakistan (SECP) for Companies the financial year of which close on or before June 30, 2017, shall prepare their financial statements in accordance with the provision of repealed Companies Ordinance, 1984. Accordingly, approved accounting standards comprise such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of repealed Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention except financial assets and financial liabilities which have been stated at their fair values.

2.3 Functional and presentation currency

These financial statements have been presented in Pakistan Rupees, which is the functional currency of the Company and rounded off to the nearest rupee.

2.4 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved 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. The estimates and associated assumptions are based on historical experience, the Regulations and various other factors that are believed to be reasonable under the circumstances, the result 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.

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 and in any future periods affected. Assumptions and judgments 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 the next year.

In the process of applying the Company's accounting policies, management has made the following estimates and judgment which are significant to the financial statements:

	Note
a) Useful life of property and equipment	3.1
b) Carrying amount of intangible assets	3.2
c) Impairment of financial assets	3.6
d) Provision against trade debts	3.9
e) Provision for current and deferred taxation	3.10
f) Creditor, accrued and other liabilities	3.14

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2.5 New and amended standards and interpretations

2.5.1 Standards, interpretations and amendments to published approved accounting standards that are effective.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 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 (Amendment) IFRS 11 - Joint Arrangements: Accounting for Acquisition of Interest in Joint Operation (Amendment) IFRS 1 - Presentation of Financial Statements: Disclosure Initiative (Amendment) IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Method of Depreciation and Amortization (Amendment) IAS 16 - Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment) IAS 27 - Separate Financial Statements: Equity Method in Separate Financial Statements (Amendment)
- The application of IFRS 10, IFRS 12, IAS 27, IFRS 11 and IAS 41 did not have any impact on the financial information of the Company.

2.5.2 Annual improvements to IFRSs 2016-2018 Cycle

- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
- IFRS 7 - Financial Instruments: Disclosures - Servicing contracts
- IFRS 7 - Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
- IAS 19 - Employee Benefits - Discount rate: regional market issue
- IAS 34 - Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above revised standards, amendments and improvements does not have any material effect on these financial statements.

2.5.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective;

- The following standards, amendments and interpretations or approved accounting standards are only effective for accounting periods beginning on or after 1 July 2017 in Pakistan:

Standard on interpretation

IFRS 2 – Classification and Measurement of Share Based Payment Transactions (Amendment)	1-Jan-18
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 (Amendment)	Yet not
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	1-Jan-18
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	1-Jan-18
IFRIC 23 - Uncertainty over Income tax treatment	1-Jan-19

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The Company expects that the adoption of the above standards and amendments will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standard on interpretation

IFRS 9 – Financial Instruments: Classification and Measurement	1-Jan-18
IFRS 14 – Regulatory Deferral Accounts	1-Jan-18
IFRS 15 – Revenue from Contracts with Customers	1-Jan-18
IFRS 16 – Leases	1-Jan-19
IFRS 17 - Insurance Contracts	1-Jan-21

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

Owned

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit and loss account by applying the reducing balance method systematically on yearly basis at the rates specified in note 11.1. Depreciation on additions to property and equipment is charged from the month in which an item is acquired while no depreciation is charged in the month the item is disposed off.

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If such an indication exists the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the estimated recoverable amount, assets are written down to the recoverable amount; and the impairment losses are recognised in the profit and loss account.

The residual value, depreciation method and the useful lives of each part of property and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of assets, if any are included in profit and loss account for the current year.

Normal repairs and maintenance costs are charged to profit and loss account in the period of its occurrence, while major renovations and improvements are capitalized only when it is probable that the future economic benefits associated with the item will flow to the entity and its cost can be measured reliably. Disposal of assets is recognized when significant risk and rewards incidental to the ownership have been transferred to the buyers.

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Leased

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of the leases are accounted for as liabilities. Assets acquired under finance lease are depreciated over the useful life of the assets by applying straight line method systematically on yearly basis.

3.2 Intangible assets

These represent TREC of Pakistan Stock Exchange Limited and membership cards of Pakistan Mercantile Exchange Limited. These intangible assets have indefinite useful life and are stated at revalued amount.

The carrying amount of intangible assets are reviewed at each balance sheet date to assess whether they are in excess of their recoverable. Provisions are made for decline in values, other than temporary, of these assets where the carrying values exceed estimated recoverable amounts.

Amortization is charged from the month of addition to the month proceeding the month of retirement / disposal, by applying reducing balance method at the rates specified in note 12.2.

3.3 Borrowing costs

Borrowing costs are interest or other costs incurred by the Company in connection with the borrowing of funds. Borrowing cost that is directly attributable to a qualifying asset, i.e., an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, is capitalized as part of cost of that asset. All other borrowing costs are charged to income in the period in which they are incurred.

3.4 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provision of the instruments. All the financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to profit and loss account.

Financial assets and liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at fair value or amortized cost as the case may be.

3.5 Off-setting for financial assets and financial liabilities

Financial assets and liabilities are off set and the net amount is reported in the balance sheet only when there is a legally enforceable right to set off the recognized amount and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

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3.6 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount of the asset. 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, if no impairment loss had been recognised.

Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount of the asset. 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, if no impairment loss had been recognised.

3.7 Investments

Investments are initially recognized at fair value, being the cost of the consideration given including transaction cost associated with the investments, except in case of held for trade investments, in which case the transaction costs are charged off to the profit and loss account.

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognized at the trade date. Trade date is the date on which the Company commits to purchase or sale an asset.

The Company classifies its investments in the following categories:

Financial assets 'at fair value through profit or loss - held-for-trade'

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in prices are classified as 'financial assets at fair value through profit or loss - held for trade'. Subsequent to initial recognition, these investments are marked to market and are carried on the balance sheet at fair value, except for investments in unquoted debt securities which are carried at cost. Net gains and losses arising on changes in fair values of these investments are taken to the profit and loss account.

Held-to-maturity investments

Investments with a fixed maturity where the Company has the intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any accumulated impairment losses.

Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in market prices, are classified as 'available for sale'. Subsequent to initial measurement, available for sale investments are remeasured to fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity. However, any premium or discount on acquisition of debt securities is amortized and taken to the profit and loss account over the life of the investment using the effective interest rate method. When securities are disposed off or impaired, the related fair value adjustments previously taken to equity are transferred to the profit and loss account.

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Fair value for listed securities are the quoted prices on stock exchange on the date it is valued. Fair value of term finance certificates, units of open end mutual funds and government securities are determined on the basis of rates notified by Mutual Funds Association of Pakistan for term finance certificates, relevant redemption prices for the open-end mutual funds and quotations obtained from the PKRV sheets for government securities respectively. Unquoted securities are valued at cost.

3.8 Long term deposits

These are stated at cost which represents the fair value of consideration given.

3.9 Trade debts

These are stated net of provision for doubtful debts. Full provision is made against the debts considered doubtful.

3.10 Taxation

Current

The Company's business income is assessable under Section 233A 'Collection of tax by a stock exchange registered in Pakistan' of the Income Tax Ordinance, 2001 and in accordance with Letter No. 4(1) ITP / 2004 - SE of the Revenue Division, Central Board of Revenue dated July 03, 2004. However, provision for other taxable income (excluding dividend & property rental income) is based at current rates of taxation after taking into account tax credits and tax rebates available, if any.

Deferred

Deferred tax is accounted for using the balance sheet 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 bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised 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.

Deferred tax is not recognised for the following temporary differences; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill. be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted.

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3.11 Revenue recognition

- Brokerage and commission income is recognised as and when such services are provided.
- Dividend income is recognised at the time when the right to receive dividend is established
- Interest income is recognised on a time proportion basis that takes into account the effective yield
- Income on continuous funding system is recognised on an accrual basis.
- Underwriting commission is recognised when the agreement is executed.
- Gains / (loss) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Unrealised capital gains / (losses) arising from mark to market of investments classified as 'financial assets at fair value through profit or loss - held-for-trading' are included in profit and loss account in the period in which they arise.
- Unrealised capital gains / (losses) arising from mark to market of investments classified as 'available-for-sale' are taken directly to other comprehensive income.

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- Gains / (losses) arising on revaluation of derivatives to fair value are taken to profit and loss account into other income / other
- All other incomes are recognised on an accrual basis.

3.12 Expenses

All expenses are recognized in the profit and loss account on an accrual basis.

3.13 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.14 Creditors, accrued and other liabilities

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in future for goods and services received.

3.15 Dividend

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are

3.16 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand, current and deposit accounts held with banks.

3.17 Earning per share

Earning per share is calculated by dividing the profit after taxation for the year by the weighted average number of shares outstanding during the year.

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4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Note

2017

2016

(Rupees)

This comprises fully paid-up ordinary shares of Rs. 10 each as follows:

	2017	2016			
	----- (No. of shares) -----				
	<u>14,413,600</u>	<u>14,413,600</u>	Issued for cash	<u>144,136,000</u>	<u>144,136,000</u>
4.1	Categories of shareholders		Shareholders	Shares Held	Percentage
	Members				
	Mrs. Fatima Usman		1	4,418,600	30.656%
	Mrs. Naik Perveen		1	972,555	6.747%
	Mr. Muhammad Arfeen Dhedhi		1	972,625	6.748%
	Mr. Amir Nazeer Dhedhi		1	972,625	6.748%
	Ms. Alia Dhedhi		1	972,625	6.748%
	Mr. Sajid Anwar		1	500	0.003%
	Government of KPK GPI Fund		1	5,670,300	39.340%
	Directors and their spouse(s) and minor children				
	Ms. Farah Zubair		1	500	0.003%
	Pervez Mirza Chaghtai		1	500	0.003%
	Mr. M Asadullah Sheikh		1	500	0.003%
	Mrs Farzana Asad		1	432,270	2.999%
	Total			<u>14,413,600</u>	<u>100.00%</u>

5. TERM FINANCE FACILITY - SECURED

Silk Bank Limited	5.1	<u>150,000,000</u>	<u>168,000,000</u>
Government of Khyber Pakhtunkhwa GPI Fund and Pension Fund	5.2	<u>-</u>	<u>200,000,000</u>
		<u>150,000,000</u>	<u>368,000,000</u>

5.1 During the year, the Company repaid term finance facility of Rs. 168 million to Silk Bank Limited on 06 March 2017.

The Company obtained term finance facility from Silk Bank Limited amounting to Rs.150 million (2016: Rs. 168 million) repayable by Rs.37.5 million and Rs.112.5 million in July 2017 and October 2018 respectively. The said facility carries mark-up rate of 3-months Karachi Inter Bank Offered Rate (KIBOR) plus 2.5% per annum which at the year end amounted to 8.64% per annum (2016: 8.55%), payable on quarterly basis. The facility is secured by lien on receivables of the Company.

5.2 During the year, the Company repaid amounts owed to GPI and Pension Funds of Government of Khyber Pakhtunkhwa of Rs.120 million and Rs.80 million (2016: Rs.120 million and Rs.80 million) respectively to meet working capital requirements on Aug 9, 2016.

6. STAFF RETIREMENT BENEFITS

6.1 During the year ended 30 June 2017, the Company started making provisions for unfunded employees gratuity scheme, details of which are given below:

6.2 Principal actuarial assumptions

The latest actuarial valuations of the unfunded gratuity scheme was carried out by the valuers Akhtar & Hassan Company as at 30 June 2017. The principal actuarial assumptions used are as follows:

Discount rate	<u>9.25%</u>	<u>0.0%</u>
Salary increase rate	<u>8.0%</u>	<u>0.0%</u>

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	2017	2016
	<u>(Rupees)</u>	
6.3 The amounts recognized in balance sheet		
Present value of defined benefit obligations	17,454,000	-
Fair value of plan assets	-	-
Deficit	<u>17,454,000</u>	<u>-</u>
6.4 Movement in present value of defined benefit obligations		
Present value of obligations as at 01 July	14,155,000	-
Current service cost	4,166,000	-
Re-measurement Loss	(543,000)	-
Actual benefits paid during the year	(324,000)	-
Present value of obligation as at 30 June	<u>17,454,000</u>	<u>-</u>
6.5 Cost recognized in profit and loss account		
Current service cost	2,759,000	-
Net Interest	<u>1,407,000</u>	<u>-</u>
	4,166,000	-
6.6 Sensitivity analysis on significant actuarial assumptions: Pension Fund		
Discount rate: +0.5%	16,574,000	-
Discount rate: -0.5%	18,407,000	-
Long term salary increase: +0.5%	18,414,000	-
Long term salary increase: -0.5%	16,560,000	-

7. DEFERRED TAXATION

	2017		
	Opening balance	Charge / (reversal)	Closing balance
	<u>(Rupees)</u>		
Taxable temporary difference:			
Accelerated depreciation allowance	(1,922,467)	136,961	(1,785,506)
Deductible temporary difference:			
Provision for bad debts	-	1,875,702	1,875,702
Provision for gratuity	-	(5,417,078)	(5,417,078)
Lease liability	1,936,208	(1,936,208)	-
	<u>13,741</u>	<u>(5,340,623)</u>	<u>(5,326,882)</u>
	2016		
	Opening balance	Charge / (reversal)	Closing balance
	<u>(Rupees)</u>		
Taxable temporary difference:			
Accelerated depreciation allowance	(1,873,994)	(48,473)	(1,922,467)
Deductible temporary difference:			
Lease liability	1,996,715	(60,507)	1,936,208
	<u>122,721</u>	<u>(108,980)</u>	<u>13,741</u>

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	Note	2017	2016
		(Rupees)	
8. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors for purchase of shares		170,213,369	91,778,904
Creditors of PMEX- Client		6,143	5,994
Payable for money market transactions		253,648,635	102,171,515
Sindh sales tax on brokerage services		1,565,485	2,852,483
Commission payable to traders		11,253,134	15,748,675
Accrued and other liabilities		7,507,602	5,480,868
		<u>444,194,368</u>	<u>218,038,439</u>

9. SHORT TERM BORROWINGS

From banking companies - secured

Summit Bank Limited	9.1	216,203,762	349,844,051
NIB Bank Limited	9.2	242,893,807	205,579,246
Silk Bank Limited	9.3	285,005,886	289,449,688
Sindh Bank Limited	9.4	642,995,665	645,794,595
Askari Bank Limited	9.5	375,899,114	246,177,498

From investment companies - secured

Saudi Pak Industrial & Agricultural Investment Company Limited	9.6	400,000,000	325,000,000
Pak Oman Investment Company Limited		149,485,650	-

Other borrowings - secured

Repurchase agreement borrowings	9.7	-	100,000,000
		<u>2,312,483,884</u>	<u>2,161,845,078</u>

- 9.1 This includes two running finance facilities against readily marketable shares of quoted companies and personal guarantee of the Director of the Company amounting to Rs. 350 and Rs. 100 million respectively (2016: Rs. 350 million & 100 million). These facilities carrying markup at the rate of 3 months KIBOR plus 200 bps per annum and 3 months KIBOR plus 300 bps per annum respectively, which at the year end amounted to 8.14% and 9.14% per annum respectively (2016: 8.35% and 9.35% per annum). These facilities expire in March 2018.

This also includes short term finance facility under repurchase arrangement with a limit of Rs. 300 million (2016: Rs. 300 million), secured by readily marketable securities of quoted companies with minimum 30% margin. As at balance sheet date, the Company had availed Rs. Nil (2016: Nil).

In addition to the above facilities the Company has also availed Intra Day Finance facility with a limit of Rs. 150 million for the purpose of settlement of intra-day demands payable to NCCPL and release of shares pledged with Bank. This facility is repayable and adjustable on the same day on which the facility is availed and valid till December 2016. Intra-day facility fee at the rate of 5% (exclusive of Sindh Sales Tax) on the consolidated amount utilized by customer for all debit transactions / value of shares released is charged and payable on weekly basis.

- 9.2 This represents running finance facility with a limit of Rs. 500 million (2016: Rs. 500 million) for meeting working capital requirements carrying markup at the rate of 3 months KIBOR plus 225 bps per annum subject to quarterly revisions, which at the year end amounted to 8.39% per annum (2016: 8.60% per annum). The facility is secured by pledge of listed shares of companies at 30% to 50% margin and personal guarantee of one director of the Company. The facility expires in March 2018.
- 9.3 This represents running finance facility with a limit of Rs. 315 million (2016: Rs.315 million) for meeting the working capital requirements carrying markup at the rate of 3 months KIBOR plus 250 bps per annum subject to quarterly revisions, which at the year end amounted to 8.64% per annum (2016: 8.85% per annum). The facility is secured with first pari passu charge of Rs. 525 million on receivables of the Company. The facility expires in December 2017.
- 9.4 This represents running finance facility with a limit of Rs. 650 million (2016: Rs. 650 million) for meeting the working capital requirements carrying markup at the rate of 10% per annum (2016: 10% per annum). The facility is secured by pledge of shares of listed companies with 35% margin. The facility expires in June 2018.

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- 9.5 This represents running finance facility with a limit of Rs. 400 million (2016: Rs. 250 million) for meeting the working capital requirements carrying markup at the rate of 3 months KIBOR plus 200 bps per annum payable on quarterly basis, which at the year end amounted to 8.14% per annum (2016: 8.35% per annum). The facility is secured by pledge of shares with 30% to 40% margin. The facility expires in November 2017.
- 9.6 This represents short term finance facility with a limit of Rs. 500 million (2016: Rs. 500 million) repayable at each maturity of drawdown of 3, 6, 9 and 12 months maturities, carrying markup at the rate of 3 months KIBOR plus 300 bps per annum, subject to quarterly revision, which at the year end amounted to 9.14% per annum (2016: 9.35% per annum). The facility matures in June 2019 and is secured by shares of the listed companies along with 35% (2015: 35%) margin and personal guarantee of one director of the Company.
- 9.7 This represents short term finance facility under re-purchase arrangement with investment company on 3 years PIBs of Rs. 100 million (2016: Rs.100 million) maturing on 12th July 2017 carrying markup at the rate of 6.5% per annum (2016: 6.5% per annum).

10. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as 30 June 2017 (2016: Nil).

11. PROPERTY AND EQUIPMENTS

	Note	2017	2016
		(Rupees)	
Property & equipments	11.1	47,961,837	43,877,007
Capital work-in-progress	11.2	23,250,000	-
		<u>71,211,837</u>	<u>43,877,007</u>

11.1 PROPERTY AND EQUIPMENTS

30 June 2017						
	Office Premises	Furniture and fixtures	Office equipment	Computers	Vehicles	Total
	(Rupees)					
COST						
As at 1 July 2016	15,396,625	8,441,144	5,364,898	14,258,473	22,113,251	65,574,391
Additions	-	99,005	1,560,970	1,137,753	7,532,000	10,329,728
Disposals	-	(53,348)	(1,022,793)	(511,000)	-	(1,587,141)
As at 30 June 2017	15,396,625	8,486,801	5,903,075	14,885,226	29,645,251	74,316,978
ACCUMULATED DEPRECIATION						
As at 1 July 2016	-	4,226,493	2,420,065	8,866,139	6,184,687	21,697,384
For the year	-	422,932	333,502	1,169,951	3,803,580	5,729,965
On disposals	-	(33,943)	(554,948)	(483,317)	-	(1,072,208)
As at 30 June 2017	-	4,615,482	2,198,619	9,552,773	9,988,267	26,355,141
Written down value	15,396,625	3,871,319	3,704,456	5,332,453	19,656,984	47,961,837
30 June 2016						
	Office Premises	Furniture and fixtures	Office equipment	Computers	Vehicles	Total
	(Rupees)					
COST						
As at 1 July 2015	15,396,625	8,121,801	4,939,702	13,070,694	16,126,063	57,654,885
Additions	-	352,943	555,896	1,694,979	10,534,300	13,138,118
Disposals	-	(33,600)	(130,700)	(507,200)	(4,547,112)	(5,218,612)
As at 30 June 2016	15,396,625	8,441,144	5,364,898	14,258,473	22,113,251	65,574,391
ACCUMULATED DEPRECIATION						
As at 1 July 2015	-	3,811,345	2,185,901	8,311,218	6,464,189	20,772,653
For the year	-	437,301	293,308	999,456	3,104,352	4,834,417
On disposals	-	(22,153)	(59,144)	(444,535)	(3,383,854)	(3,909,686)
As at 30 June 2016	-	4,226,493	2,420,065	8,866,139	6,184,687	21,697,384
Written down value	15,396,625	4,214,651	2,944,833	5,392,334	15,928,564	43,877,007
Depreciation rate per annum (%)	-	10	10	20	20	

- 11.2 This represents partial payment made for the purchase of property.

		2017	2016
	Note	(Rupees)	
12. INTANGIBLE ASSETS			
Trading Right Entitlement Certificate (TREC)	12.1	5,535,000	5,535,000
Pakistan Mercantile Exchange Limited - membership card		250,000	250,000
Software	12.2	-	651,253
		<u>5,785,000</u>	<u>6,436,253</u>

- 12.1 Under the Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012, the Company received a TREC in lieu of its membership card of PSX. Notional value of the said TREC has been maintained by PSX at Rs. 15 million (2016: Rs. 15 million). However, the Company has not accounted for the impact of such value.

12.2 Amortization of software

As at July 1	905,933	791,933
Additions during the year	336,340	114,000
Total	<u>1,242,273</u>	<u>905,933</u>
Charge for the year	<u>(1,242,273)</u>	<u>(254,680)</u>
As at June 30	<u>-</u>	<u>651,253</u>

13. LONG TERM INVESTMENTS

Available-for-sale investment

Shares in Pakistan Stock Exchange	13.1	<u>62,182,322</u>	<u>14,965,000</u>
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- 13.1 Under Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (the Act), the Company received 4,007,383 equity shares of Rs.10 each of PSX, whereby, 40% equity shares i.e. 1,602,953 shares were actually received by the Company and the remaining 60% shares (i.e. 2,404,430 shares) were transferred to CDC sub-account in the Company's name under the PSX's participant ID with the CDC. The said shares will remain blocked until these are divested / sold to strategic investor(s), general public and financial institutions and proceeds are paid to the Company.

Based on the financial statements of PSX as of 31st December 2016, the break-up value per share amounts to Rs. 10.06 per share. However, during March 2017, 1,615,953 shares of PSX were sold to a Chinese Consortium by the Pakistan Stock Exchange at the rate of Rs.28 per share. Out of the sale price of Rs.28 an amount equivalent to 10% of the sale price was retained by the Pakistan Stock Exchange against any future claim and the remaining Rs.25.20 was paid to the Company on March 10, 2017. The carrying value pertains to 2,421,430 shares. The Company has accounted for the gain on this transaction.

The remaining 2,421,430 shares have been valued at market value of Rs. 25.68 as at 30 June 2017.

14. LONG TERM DEPOSITS

Pakistan Stock Exchange Limited	14.1	7,705,079	7,603,146
National Clearing Company of Pakistan Limited		800,000	300,000
Pakistan Mercantile Exchange Limited	14.2	3,250,000	3,250,000
Central Depository Company of Pakistan Limited		100,000	100,000
Others		<u>995,000</u>	<u>935,000</u>
		<u>12,850,079</u>	<u>12,188,146</u>

- 14.1 This represents deposit placed with PSX for taking exposure in regular and future market.

- 14.2 This represents deposit placed with PMEX for taking exposure in commodity market.

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15. SHORT TERM INVESTMENT

Financial assets classified as available-for-sale
 Shares of listed companies - at cost
 10 Years 12% Pakistan Investment Bonds - at cost

Less: Unrealized gain on revaluation of
 available-for-sale investments

**Financial assets classified as fair value through profit
 and loss - held-for-trading**

Shares of listed companies - at cost

Less: Unrealized loss on revaluation of
 held-for-trading investments

Note	2017 ----- (Rupees) -----	2016 ----- (Rupees) -----
15.1	1,069,158,251 111,503,941	1,413,785,108 -
15.1	311,269,104 1,491,931,296	270,724,938 1,684,510,046
15.2	146,200,232	75,890,602
15.2	(13,388,589) 132,811,643	(10,337,718) 65,552,884
	1,624,742,939	1,750,062,930

	30 June 2017 Average Cost Market Value		30 June 2016 Average Cost Market Value	
	----- (Rupees) -----		----- (Rupees) -----	
15.1 Financial assets classified as available-for-sale				
<i>Al-Shaheer Corporation Limited</i>	67,825,019	36,686,291	69,478,156	42,818,726
914,642 (2016: 820,125) ordinary shares of Rs. 10 each fully paid				
<i>Al-Ameen Islamic Active Allocation Plan VIII</i>	2,418,029	2,342,308	-	-
24,180 (2016: Nil) ordinary shares of Rs. 10 each fully paid				
<i>Bank Al Falah Limited</i>	-	-	67,700,431	73,360,330
Nil (2016: 2,869,000) ordinary shares of Rs. 10 each fully paid				
<i>First Capital Securities Corporation Limited</i>	14,361,600	15,830,400	35,203,979	24,000,835
40,80,000 (2016: 10,000,348) ordinary shares of Rs. 10 each fully paid				
<i>First Dawood Mutual Fund Limited</i>	-	-	839,073	-
Nil (2016: 273,800) ordinary shares of Rs. 10 each fully-paid				
<i>First Capital Equities Limited</i>	35,084,430	9,970,000	35,190,000	27,750,000
997,000 (2016: 1,000,000) ordinary shares of Rs. 10 each fully paid				
<i>Gadoon Textile Limited</i>	349,485	316,500	-	-
1,500 (2016: Nil) ordinary shares of Rs. 10 each fully paid				
<i>Gul Ahmed Textile Mills Limited</i>	3,784,755	3,278,400	-	-
80,000 (2016: Nil) ordinary shares of Rs. 10 each fully paid				
<i>KASB Securities Limited</i>	-	-	2,617,411	1,102,904
Nil (2016: 166,100) ordinary shares of Rs. 10 each fully paid				
<i>Mughal Iron & Steels Limited</i>	22,659,012	24,864,840	-	-
308,000 (2016: Nil) ordinary shares of Rs. 10 each fully paid				

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	30 June 2017		30 June 2016	
	Average Cost	Market Value	Average Cost	Market Value
	(Rupees)			
<i>NIB Bank Limited</i> 5,210,000 (2016: 40,981,000) ordinary shares of Rs. 10 each fully paid	11,685,461	8,961,200	111,121,270	78,273,710
<i>Nishat Chunian Power Limited</i> 13,500 (2016: 25,500) ordinary shares of Rs. 10 each fully paid	638,415	601,425	1,271,940	1,340,280
<i>Pakistan Petroleum Limited</i> Nil (2016: 131,000) ordinary shares of Rs. 10 each fully paid	-	-	20,574,891	20,311,550
<i>Pakistan Telecommunication Limited</i> Nil (2016: 75,000) ordinary shares of Rs. 10 each fully paid	-	-	1,409,965	1,127,250
<i>Power Cement Limited-LOR Freeze</i> 325,000 (2016: Nil) ordinary shares of Rs. 10 each fully paid	4,291,000	4,348,500	-	-
<i>Quice Food Limited</i> Nil (2016: 150,000) ordinary shares of Rs. 10 each fully paid	-	-	1,356,350	1,234,500
<i>Summit Bank Limited</i> 50,000,000 (2016: 24,369,519) ordinary shares of Rs. 10 each fully paid	150,487,110	206,000,000	59,841,289	72,864,862
<i>Summit Bank Limited - Preference Shares</i> 15,691,404 (2016: 37,588,404) ordinary shares of Rs. 10 each fully paid	146,030,628	156,914,040	343,486,623	375,884,040
<i>Sui Southern Gas Company Limited</i> 237,000 (2016: 400,000) ordinary shares of Rs. 10 each fully paid	11,069,341	8,629,170	19,964,814	11,012,000
<i>Silk Bank Limited</i> 57,000,000 (2016: 57,000,000) ordinary shares of Rs. 10 each fully paid	228,000,000	95,760,000	228,000,000	96,900,000
<i>TPL Properties Limited</i> 5,500,000 (2016: 1,000,000) ordinary shares of Rs. 10 each fully paid	66,636,000	67,375,000	12,500,000	12,500,000
<i>TPL Direct Insurance Limited</i> 45,000 (2016: Nil) ordinary shares of Rs. 10 each fully paid	1,076,440	1,107,000	-	-
<i>TRG Pakistan Limited</i> 18,394,669 (2016: 25,157,349) ordinary shares of Rs. 10 each fully paid	302,761,525	737,442,280	403,228,915	844,029,059
	<u>1,069,158,251</u>	<u>1,380,427,354</u>	<u>1,413,785,108</u>	<u>1,684,510,046</u>

	30 June 2017		30 June 2016	
	Average Cost	Market Value	Average Cost	Market Value
	(Rupees)			
15.2 Financial assets classified as fair value through profit and loss - held-for-trading				
<i>Aisha Steels Limited</i>	4,071,562	3,549,330	-	-
174,500 (2016: Nil) ordinary shares of Rs. 10 each fully paid				
<i>Askari Bank Limited</i>	-	-	4,531,963	4,109,600
Nil (2016: 220,000) ordinary shares of Rs. 10 each fully paid				
<i>Askari General Insurance Limited</i>	352,271	308,948	-	-
10,350 (2016: Nil) ordinary shares of Rs. 10 each fully paid				
<i>Attock Refinery Limited</i>	6,728,615	5,623,926	-	-
14,700 (2016: Nil) ordinary shares of Rs. 10 each fully paid				
<i>Dewan Farooq Motors Limited</i>	-	-	1,849,177	1,670,880
Nil (2016: 118,000) ordinary shares of Rs. 10 each fully paid				
<i>Dewan Cement Limited</i>	-	-	3,585,352	3,258,000
Nil (2016: 225,000) ordinary shares of Rs. 10 each fully paid				
<i>Engro Fertilizer Limited</i>	-	-	3,394,749	2,643,680
Nil (2016: 41,000) ordinary shares of Rs. 10 each fully paid				
<i>Engro Polymer Limited</i>	7,352,680	6,825,500	-	-
187,000 (2016: Nil) ordinary shares of Rs. 10 each fully paid				
<i>Fauji Food Limited</i>	-	-	453,450	525,300
Nil (2016: 5,000) ordinary shares of Rs. 10 each fully paid				
<i>Fauji Fertilizer Company Limited</i>	14,587,616	11,569,600	-	-
140,000 (2016: Nil) ordinary shares of Rs. 10 each fully paid				
<i>Ghani Global Glass Limited</i>	2,309,328	1,729,135	-	-
86,500 (2016: Nil) ordinary shares of Rs. 10 each fully paid				
<i>Golden Arrow Selected Stock Fund</i>	-	-	2,606,092	2,368,800
Nil (2016: 282,000) ordinary shares of Rs. 10 each fully paid				
<i>Glaxosmithkline (PAK) Limited</i>	-	-	8,009,697	7,476,671
Nil (2016: 36,100) ordinary shares of Rs. 10 each fully paid				

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	30 June 2017		30 June 2016	
	Average Cost	Market Value	Average Cost	Market Value
	(Rupees)			
<i>Gul Ahmed Textile Mills Limited</i> 41,000 (2016: Nil) ordinary shares of Rs. 10 each fully paid	2,019,031	1,680,180	-	-
<i>Hub Power Company Limited</i> 77,600 (2016: Nil) ordinary shares of Rs. 10 each fully paid	10,049,809	9,112,568	-	-
<i>Japan Power Generation Limited</i> Nil (2016: 200,000) ordinary shares of Rs. 10 each fully paid	-	-	999,520	798,000
<i>K-Electric Company Limited</i> 515,000 (2016: 56,500) ordinary shares of Rs. 10 each fully paid	4,946,406	3,553,500	472,018	455,390
<i>Mughal Iron & Steels Limited</i> Nil (2016: 44,500) ordinary shares of Rs. 10 each fully paid	-	-	3,739,776	2,989,955
<i>Linde Pakistan Limited</i> 7,500 (2016: Nil) ordinary shares of Rs. 10 each fully paid	2,485,351	1,807,650	-	-
<i>Maple Leaf Cement Limited</i> 5,900 (2016: Nil) ordinary shares of Rs. 10 each fully paid	700,189	657,024	-	-
<i>Nishat Chunian Power Limited</i> 94,500 (2016: Nil) ordinary shares of Rs. 10 each fully paid	5,481,000	4,209,975	-	-
<i>Oil & Gas Development Company Limited</i> 74,000 (2016: Nil) ordinary shares of Rs. 10 each fully paid	13,309,839	10,411,060	-	-
<i>Pakistan International Bulk Terminal Limited</i> 100,000 (2016: Nil) ordinary shares of Rs. 10 each fully paid	3,011,086	2,316,000	-	-
<i>Pakistan Oil Field Limited</i> 19,000 (2016: Nil) ordinary shares of Rs. 10 each fully paid	10,604,669	8,704,850	-	-
<i>Pakistan Refinery Limited</i> Nil (2016: 47,000) ordinary shares of Rs. 10 each fully paid	-	-	2,692,024	1,935,460
<i>Pakistan Stock Exchange Limited</i> 375,000 (2016: Nil) ordinary shares of Rs. 10 each fully paid	10,470,000	9,630,000	-	-
<i>Pakistan Telecommunications Limited</i> Nil (2016: 240,000) ordinary shares of Rs. 10 each fully paid	-	-	4,548,620	3,607,200
<i>Pakcem Limited</i> Nil (2016: 175,000) ordinary shares of Rs. 10 each fully paid	-	-	3,672,273	3,090,500

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	30 June 2017		30 June 2016	
	Average Cost	Market Value	Average Cost	Market Value
	(Rupees)			
<i>Pace Pakistan Limited</i>	-	-	1,171,359	1,031,250
Nil (2016: 165,000) ordinary shares of Rs. 10 each fully paid				
<i>Singer Pakistan Limited</i>	1,521,118	1,244,800	-	-
20,000 (2016: Nil) ordinary shares of Rs. 10 each fully paid				
<i>Sui Northern Gas Pipelines Limited</i>	27,552,019	35,740,800	9,420,884	9,979,750
240,000 (2016: 275,000) ordinary shares of Rs. 10 each fully paid				
<i>Sui Southern Gas Company Limited</i>	-	-	4,715,173	3,028,300
Nil (2016: 110,000) ordinary shares of Rs. 10 each fully paid				
<i>Searle Pakistan Limited</i>	6,711,376	5,176,118	8,286,081	8,042,250
10,110 (2016: 15,000) ordinary shares of Rs. 10 each fully paid				
<i>Sindh Modaraba</i>	-	-	1,422,465	793,650
Nil (2016: 203,500) certificates of Rs. 10 each fully paid				
<i>Summit Bank Limited</i>	688,810	541,780	1,261,776	747,500
131,500 (2016: 250,000) ordinary shares of Rs. 10 each fully paid				
<i>TRG Pakistan Limited</i>	11,247,457	8,418,900	4,610,212	3,858,250
210,000 (2016: 115,000) ordinary shares of Rs. 10 each fully paid				
<i>TPL Trakker Limited</i>	-	-	4,447,942	3,142,500
Nil (2016: 250,000) ordinary shares of Rs. 10 each fully paid				
	<u>146,200,232</u>	<u>132,811,643</u>	<u>75,890,602</u>	<u>65,552,886</u>

	Note	2017	2016
		(Rupees)	(Rupees)
16. TRADE DEBTS			
Considered good		1,233,102,456	1,049,275,509
Considered doubtful		<u>6,050,650</u>	<u>6,050,650</u>
		1,239,153,106	1,055,326,159
Less: Provision against doubtful debts	16.1	<u>(6,050,650)</u>	<u>(6,050,650)</u>
		<u>1,233,102,456</u>	<u>1,049,275,509</u>
16.1 Provision against doubtful debts			
As at July 1		6,050,650	6,050,650
Charge / (reversal) for the year		-	-
As at June 30		<u>6,050,650</u>	<u>6,050,650</u>

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16.2 Treatment of amount receivable from customers

Trade debts and other receivables are recognized at fair value less provision for doubtful debts. The provision is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivable. Trade debts and other receivables considered irrecoverable are written off.

- 16.3 The Company holds equity securities having fair value of Rs. 3,367.487 million (30 June 2016: 2,215.011 Million) owned by its clients as collaterals against trade debts. The aging analysis for amounts receivable from clients for more than five days is as follows:

	Note	2017 ----- (Rupees) -----	2016 -----
Amount due from clients for more than 5 days		<u>1,016,646,403</u>	<u>559,441,564</u>
Value of listed shares (collateral) after applying haircut on the basis of VAR		<u>864,149,442</u>	<u>531,094,964</u>
Amount Receivable from clients exceeding the collateral held from such customer		<u>-</u>	<u>-</u>

	Note	2017 ----- (Rupees) -----	2016 -----
17. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good		3,547,942	1,422,570
Trade deposit	17.1	20,948,382	3,470,113
Prepayments		1,335,533	731,821
Others		6,631,738	4,478,893
		<u>32,463,595</u>	<u>10,103,397</u>

- 17.1 This includes deposits with PSX against ready and future exposures and with PMEX for taking exposure in commodity market.

18. CASH AND BANK BALANCES

Cash in hand		1,717,684	2,236,851
At banks:			
- Client accounts (current)		170,444,513	103,352,930
- Current accounts		3,912,092	1,938,750
- Saving accounts	18.1	5,361,344	6,943,636
		<u>181,435,633</u>	<u>114,472,167</u>

- 18.1 The interest rates on saving accounts range from 5% to 8% per annum (2016: from 5% to 7%).

18.2 Customers assets held in Central Depository Company Limited (CDC)		<u>4,037,549,568</u>	<u>2,518,183,374</u>
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	Note	2017	2016
		(Rupees) -----	
19. OPERATING REVENUE			
Brokerage commission	19.1	160,581,771	139,297,457
Inter-bank brokerage commission		14,085,427	13,332,379
Settlement charges		145,897,384	179,915,952
Underwriting commission		1,125,000	4,710,968
		<u>321,689,582</u>	<u>337,256,756</u>
19.1 Turnover during the year comprises of the following:			
Institution		23,051,049	15,116,957
Retail		137,530,722	124,180,500
Proprietary		-	-
		<u>160,581,771</u>	<u>139,297,457</u>
20. ADMINISTRATIVE AND OPERATING EXPENSE			
Salaries, benefits and other allowances		71,900,053	43,270,989
Directors' remuneration		3,348,336	3,072,800
Insurance		777,502	772,528
Utilities		2,719,079	2,168,297
Printing and stationery		855,855	840,403
Entertainment		2,026,259	1,707,626
Communication		5,662,731	5,543,564
Vehicle running		3,005,876	2,989,136
Repairs and maintenance		3,658,163	2,283,450
Traveling and conveyance		4,841,453	4,316,380
Legal and professional charges		8,571,235	5,565,000
Fee and subscriptions		5,003,016	2,626,919
Auditors' remuneration	20.1	420,000	385,450
Rent, rates and taxes		6,292,520	5,004,283
Depreciation	11.1	5,729,965	4,834,417
Amortization	12.2	1,242,273	254,680
Transaction and settlement cost		16,010,898	14,430,919
Commission to traders		38,254,357	39,618,966
Bank charges		223,912	318,789
Unrealized loss on held-for-trading investments		13,388,588	10,337,718
Bad debts expense		1,042,041	-
Loss on disposal of fixed assets		438,832	-
Business promotion		4,461,127	4,902,100
Miscellaneous		5,059,901	5,711,322
		<u>204,933,972</u>	<u>160,955,736</u>
20.1 Auditors' remuneration			
Statutory audit fee		350,000	325,000
Sindh sales tax @ 8% (2016: 8%)		28,000	26,000
Out-of-pocket expenses		42,000	34,450
		<u>420,000</u>	<u>385,450</u>

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	Note	2017	2016
		----- (Rupees) -----	
21. FINANCE COST			
Markup on short term borrowings		196,034,486	185,133,845
Markup on long term borrowings		20,834,098	40,724,763
Mark-up on borrowing of securities		21,174	2,000,352
		<u>216,889,758</u>	<u>227,858,960</u>
22. OTHER INCOME			
<i>Income from financial assets</i>			
Return on short term investment		728,443	38,753,105
Return on margin financing & MTS		67,924,154	33,463,506
Dividend income		4,766,320	7,940,397
Return on cash margins with PSX & PMEX		794,100	1,398,096
Profit from profit and loss sharing account		170,064	701,708
		<u>74,383,081</u>	<u>82,256,812</u>
<i>Income from non-financial assets</i>			
Gain on disposal of fixed assets		-	2,750,796
Expenses recovered from customers		4,208,132	2,847,294
Miscellaneous		4,996,607	343,993
IPO commission		3,019	1,936,075
		<u>9,207,758</u>	<u>7,878,158</u>
		<u>83,590,839</u>	<u>90,134,970</u>

23. TAXATION

The Company has filed income tax return for the tax year 2016 (financial year ended June 30, 2016) which is deemed to have been assessed under the Income Tax Ordinance, 2001 unless selected by the taxation authorities for audit purposes.

24. EARNING PER SHARE - BASIC AND DILUTED

Profit after taxation for the year	Rupees	<u>57,956,674</u>	<u>34,037,703</u>
Weighted average number of ordinary shares	Number of shares	<u>14,413,600</u>	<u>14,413,600</u>
Earning per share - basic and diluted	Rupees	<u>4.02</u>	<u>2.36</u>

25. CASH AND CASH EQUIVALENTS

Cash and bank balances	18	<u>181,435,633</u>	<u>114,472,167</u>
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26. REMUNERATION OF THE CHIEF EXECUTIVE AND DIRECTORS

The aggregate amounts charged in these financial statements in respect of remuneration including benefits applicable to the Chief Executive and Directors of the Company are given below:

	2017		2016	
	Chief Executive	Director	Chief Executive	Director
	----- (Rupees) -----			
Managerial remuneration	<u>1,802,736</u>	<u>1,545,600</u>	<u>1,289,428</u>	<u>3,072,800</u>
	----- Number -----			
No. of person(s)	<u>1</u>	<u>4</u>	<u>1</u>	<u>4</u>

26.1 The Chief Executive Officer is provided with the Company maintained car, in accordance with the Company's policy.

26.2 The total number of employees as at year end were 70 (2016: 70), whereas, average number of employees during the year were 69 (2016: 69).

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27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

27.1 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 into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placement or other arrangements to fulfill their obligations. There is a possibility of default by participants and of failure of the financial markets, the depositories, the settlements or clearing system etc.

Exposure to credit risk

Credit risk of the Company arises principally from trade debts, loans and advances, trade deposits, bank balances 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 accordingly to their 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 policy is to enter into financial contracts in accordance with the internal risk management policies and 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. All transactions are settled / paid for upon delivery.

The maximum exposure to credit risk at the reporting date is as follows:

	Note	Carrying amount	
		2016	2015
		----- (Rupees) -----	
Long term deposits	14	12,850,079	12,188,146
Receivable against Margin Financing Transactions		434,538,232	321,847,292
Trade debts	16	1,233,102,456	1,049,275,509
Advances, deposits and other receivables	17	31,128,062	9,371,576
Bank balances	18	179,717,949	112,235,316
		<u>1,891,336,778</u>	<u>1,504,917,839</u>

All balances are denominated in local currency.

Bank balances

The credit quality of the Company's cash and cash equivalents, held with various commercial banks and financial institutions is assessed with reference to external credit ratings thereof, ranging from A1+ to A assigned by reputable credit rating agencies.

Investment in units of Mutual Funds

The Company has investments in units of mutual fund having rating of 5-Star at reporting date.

27.2. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulties in raising funds to meet commitments associated with financial liabilities as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to the dynamic nature of the business. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines available. The following are the contractual maturities of financial liabilities:

2017						
Carrying amount	Contractual cash flows	Less than six months	Up to one year	One to two years	Two to five years	
-----Rupees-----						
<i>Financial liabilities</i>						
Term finance facility	150,000,000	150,000,000	-	37,500,000	112,500,000	-
Trade creditors, accrued and other liabilities	444,194,368	444,194,368	444,194,368	-	-	-
Accrued mark-up	51,323,396	51,323,396	51,323,396	-	-	-
Short term borrowings	2,312,483,884	2,312,483,884	834,996,683	1,477,487,201	-	-
	2,958,001,648	2,958,001,648	1,330,514,447	1,514,987,201	112,500,000	-
2016						
Carrying amount	Contractual cash flows	Less than six months	Up to one year	One to two years	Two to five years	
-----Rupees-----						
<i>Financial Liabilities</i>						
Term finance facility	368,000,000	368,000,000	-	-	368,000,000	-
Trade creditors, accrued and other liabilities	218,038,439	218,038,439	218,038,439	-	-	-
Accrued mark-up	38,804,339	38,804,339	38,804,339	-	-	-
Short term borrowings	2,161,845,078	2,161,845,078	639,293,739	1,522,551,339	-	-
	2,786,687,856	2,786,687,856	896,136,517	1,522,551,339	368,000,000	-

27.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer of the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company manage market risk by monitoring exposure on marketable securities by following the internal risk management and investment policies and guidelines. The Company is exposed to interest rate risk and other price risk only.

27.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was as follows:

	Carrying amount	
	2017	2016
	----- (Rupees) -----	
Variable rate instruments		
- Bank balances in profit and loss sharing accounts	5,361,344	6,943,636

Sensitivity analysis for fixed rate instruments

The Company does not have any fixed rate financial instrument at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect the profit or loss.

27.3.2 Other price risk

Other price risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of change in market prices (other than arising from interest 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 similar financial instruments traded in the market.

The Company's investments in listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities.

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27.3.3 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates. The Company, at present, is not exposed to currency risk as all transactions are carried out in Pak Rupees.

Interest rate sensitivity analysis

A summary of the Company's interest rate gap position, categorized by the earlier of contractual re-pricing or maturity dates as at the year end was as follows:

	Rate		Carrying values	
	2017	2016	2017	2016
			----- (Rupees) -----	
Financial assets				
Receivable against margin financing transactions	10% to 15%	10% to 13%	434,538,232	321,847,292
Bank balances	5% to 8%	4% to 6%	5,361,344	6,943,636
			<u>439,899,576</u>	<u>328,790,928</u>
Financial liabilities				
Term finance facility	9% to 12%	9% to 12%	150,000,000	368,000,000
Short term borrowing	8% to 12%	8% to 12%	2,312,483,884	2,161,845,078
			<u>2,462,483,884</u>	<u>2,529,845,078</u>
Cumulative gap			<u>(2,022,584,308)</u>	<u>(2,201,054,150)</u>

27.4 Operational risk

Operational risk is the risk of direct and indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risk arise from all of the Company's activities.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirement for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirement for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

27.5 Fair value of financial assets and liabilities

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The carrying value of all financial assets and liabilities on the balance sheet approximate to their fair value.

28. CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence, sustain future development of the business, safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitor the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitor the level of dividend to ordinary shareholders.

There were no changes in the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

29. **SHARES OF CLIENTS APPEARING IN CDC HOUSE ACCOUNT**

	30 June 2017		
	Shares appearing in CDC House A/c	Shares of the Company	Shares of the clients held by the Company
	No. of shares		
AKD Capital Limited	200,000	-	200,000
Highnoon Laboratories Limited	168	-	168
Reliance Insurance Company Limited	25	-	25
TRG Pakistan Limited	18,606,225	18,604,669	1,556
	18,806,418	18,604,669	201,749

	30 June 2016		
	Shares appearing in CDC House A/c	Shares of the Company	Shares of the clients held by the Company
	No. of shares		
AKD Capital Limited	200,000	-	200,000
TRG Pakistan Limited	33,370,611	33,369,055	1,556
	33,570,611	33,369,055	201,556

30. **TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Related parties comprise subsidiaries, directors and their close family members, major shareholders of the Company, key management personnel and other companies under common management. Transactions with related parties are on arm's length. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment. Remuneration of chief executive, directors and executives are as follows:

Key management personnel

Remuneration to key management personnel is disclosed in note 26 to these financial statements.

31. **OPERATING SEGMENTS**

These financial statements have been prepared on the basis of a single reportable segment which is consistent with the internal reporting used by the chief operating decision-maker.

There were no changes in the reportable segments during the year.

All non-current assets of the Company as at June 30, 2017 and June 30, 2016 are located in Pakistan.

32. **DISCLOSURE UNDER RESEARCH ANALYST REGULATION, 2015**

The Company is an approved research entity by Securities and Exchange Commission of Pakistan (Research Entity no. REP-058).

During the current year, the research department of the Company consisted of 6 personnel. 1 Research Head, 4 Analysts and 1 Database Officer with annual remunerations of Rs. 2.1 million, 3.18 million and 0.36 million respectively.

33. **GENERAL**

33.1 **Non-adjusting events after the balance sheet date:**

The Board of Directors in their meeting held on September 23, 2017 has proposed a final cash dividend in respect of the year ended June 30, 2017 at Rs. 2.00 (2016: Rs. 2.00) per share, in addition to Rs. 0.50 per share interim dividend already paid, for approval by the members of the Company in the forthcoming Annual General Meeting. The financial statements for the year ended June 30, 2017 do not include the effect of this final dividend @ Rs. 2.00 per share, which will be accounted for in the financial statements for the year ending June 30, 2018.

33.2 These financial statements have been authorized for issue by the Board of Directors of the Company on September 23, 2017.


Chief Executive


Director