



AUDITORS' REPORT TO THE MEMBERS

We have audited the accompanying financial statements of **Asad Mustafa Securities (SMC-Pvt) Limited** ("Company" or "the Company"), which comprise the balance sheet as at June 30, 2017 and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. This responsibility includes designing, implementing and maintaining such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and that we plan and perform the audit to obtain reasonable assurance over whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the Company in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Company's financial statements conform with approved accounting standards as applicable in Pakistan, give the information required by the Companies Ordinance, 1984, in the manner so required, and respectively give a true and fair view of the Company's affairs as at June 30, 2017 and of the Company's profit, comprehensive income, changes in equity and cash flows for the year then ended.

A MEMBER OF IECnet, A NETWORK OF INDEPENDENT ACCOUNTING FIRMS



Report on Other Matters Required by the Companies Ordinance, 1984

Based on our audit, we further report that in our opinion:

- a) Proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b) 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 accounts and are further in accordance with accounting policies consistently applied;
- c) The expenditure incurred during the year was for the purpose of the Company's business;
- d) The business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company; and
- e) Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

IECnet S.K.S.S.S
Chartered Accountants

Engagement Partner: **Muhammad Aslam Khan**
Lahore.
August 31, 2017.

ASAD MUSTAFA SECURITIES (SMC-PVT) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2017

EQUITY AND LIABILITIES	Notes	2017 Rupees	2016 Rupees	ASSETS	Notes	2017 Rupees	2016 Rupees
Share Capital and Reserves				Non Current Assets			
<u>Authorised Share Capital</u>							
10,000,000 (2016 : 2,000,000) Ordinary Shares of Rs.10 each		<u>100,000,000</u>	<u>100,000,000</u>	Intangible Assets	4	6,257,800	4,125,000
<u>Issued, Subscribed & Paid-up Capital</u>				Long-term Investments			
9,700,000 (2016: 7,700,000) Ordinary Shares of Rs.10 each	10	97,000,000	77,000,000	Long-term Security Deposits	6	1,060,000	560,000
Accumulated Profit / (Loss)		9,957,587	(4,943,626)				
		106,957,587	72,056,374			79,201,519	66,744,850
Non-Current Liabilities				Current Assets			
Long-term Loan	11	-	10,000,000	Short-term Investments	7	30,382,000	22,199,600
Current Liabilities				Trade Debtors		1,830	-
Short-term Loan	12	2,716,846	9,108,525	Advances, Deposits and Other Receivables	8	1,622,592	2,164,456
Provision for Income Tax		1,542,461	-	Cash and Cash Equivalents	9	819,783	100,993
Creditors, accrued and other liabilities	13	810,830	45,000				
		5,070,137	9,153,525			32,826,205	24,465,049
Contingencies & Commitments							
	14	-	-				
		<u>112,027,724</u>	<u>91,209,899</u>			<u>112,027,724</u>	<u>91,209,899</u>

** Auditors report is annexed

** The annexed notes from 1 to 24 form an integral part of these financial statements.


CHIEF EXECUTIVE / DIRECTOR



ASAD MUSTAFA SECURITIES (SMC-PVT) LIMITED
PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	Notes	2017 Rupees	2016 Rupees
Brokerage Income	15	3,669,555	-
Operating and Administrative Expenses	16	2,031,860	899,031
Operating Profit/ (Loss)		<u>1,637,694</u>	<u>(899,031)</u>
Other Income	17	10,221,030	1,088,426
Finance Cost	18	377	444
Loss / (Gain) on Re-measurement of Investments at Fair Value Through Profit or Loss	19	(4,592,527)	7,054,030
Profit/ (Loss) Before Tax for the year		<u>16,450,874</u>	<u>(6,865,079)</u>
Taxation	20	1,549,661	127,248
Profit/ (Loss) After Taxation		<u><u>14,901,213</u></u>	<u><u>(6,992,327)</u></u>

** The annexed notes from 1 to 24 form an integral part of these financial statements.




CHIEF EXECUTIVE / DIRECTOR




ASAD MUSTAFA SECURITIES (SMC-PVT) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	2017 (RUPEES)	2016 (RUPEES)
Profit/ (Loss) after Taxation	14,901,213	(6,992,327)
Other Comprehensive income / (loss) for the year	-	-
Total comprehensive income / (Loss) for the year	<u>14,901,213</u>	<u>(6,992,327)</u>

** The annexed notes from 1 to 24 form an integral part of these financial statements.


CHIEF EXECUTIVE / DIRECTOR



ASAD MUSTAFA SECURITIES (SMC-PVT) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	2017 RUPEES	2016 RUPEES
Cash Flows From Operating Activities		
Profit/(Loss) before Tax	16,450,874	(6,865,079)
<u>Adjustments for non cash items:</u>		
Financial Charges	377	444
Dividend Income	(3,531,988)	(1,017,981)
Loss / (Gain) on Re-measurement of Investments at Fair Value Through Profit or Loss	(4,592,527)	7,054,030
Operating profit/(loss) Before Working Capital Changes	<u>8,326,736</u>	<u>(828,586)</u>
Adjustments for Working Capital Items:		
(Increase)/ Decrease in Current Assets		
Short-term Investments	(13,413,742)	(23,047,430)
Trade Debtors	(1,830)	-
Short-term Deposits & Prepayments	541,863	-
Increase/ (Decrease) in Current Liabilities		
Creditors, Accrued & Other liabilities	(4,083,388)	(6,639,985)
Cash Generated From/ (Used In) Operations	<u>(16,957,096)</u>	<u>(29,687,415)</u>
Taxes Paid	(1,549,661)	(127,248)
Financial Charges Paid	(377)	(444)
Net Cash Generated From/ (Used In) Operating Activities	<u>(10,180,398)</u>	<u>(30,643,693)</u>
Cash Flows from Investing Activities		
Investments Made	-	(56,996,000)
Dividend Received	3,531,988	1,017,981
Intangible Assets	(2,132,800)	-
Security Deposits	(500,000)	70,000
Net Cash Generated From/ (Used In) Investing Activities	<u>899,188</u>	<u>(55,908,019)</u>
Cash Flows from Financing Activities		
Proceeds From Issue of Share Capital	20,000,000	57,000,000
Long-Term Loan Obtained/ (Repaid)	(10,000,000)	10,000,000
Net Cash Generated from Financing Activities	<u>10,000,000</u>	<u>67,000,000</u>
Net Increase/ (Decrease) in Cash and Cash Equivalents	<u>718,789</u>	<u>(19,551,712)</u>
Cash and Cash Equivalents at the Beginning of the Year	100,993	19,652,705
Cash and Cash Equivalents at the End of the Year	<u>819,782</u>	<u>100,993</u>

Asad Mustafa
CHIEF EXECUTIVE / DIRECTOR



ASAD MUSTAFA SECURITIES (SMC-PVT) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

DESCRIPTION	NOTES	SHARE CAPITAL	UNAPPROPRIATED PROFIT/ (LOSS)	TOTAL
		(RUPEES)		
Balance as at June 30, 2014		12,500,000	12,898	12,512,898
Capital Introduced During Year		7,500,000	-	7,500,000
Profit for the Year		-	2,035,803	2,035,803
Balance as at June 30, 2015		20,000,000	2,048,701	22,048,701
Capital Introduced During Year		57,000,000	-	57,000,000
Profit for the Year		-	(6,992,327)	(6,992,327)
Balance as at June 30, 2016		77,000,000	(4,943,626)	72,056,374
Capital Introduced During Year		20,000,000		20,000,000
Profit For the Year			14,901,213	14,901,213
Balance as at June 30, 2017		97,000,000	9,957,587	106,957,587

** The annexed notes from 1 to 24 form an integral part of these financial statements.


CHIEF EXECUTIVE / DIRECTOR



ASAD MUSTAFA SECURITIES (SMC-PVT) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1 STATUS AND NATURE OF BUSINESS

Asad Mustafa Securities (Private) Limited (the company) was incorporated in Pakistan on November 11, 2013 as single member private limited company under the Companies Ordinance, 1984. The status of the company was subsequently changed to a private limited company. The company's registered office is situated at 601/1-1 Z, Phase III, DHA, Lahore. The principle activity is to render services as broker of stock exchanges in Pakistan for carrying on the activities of buying, selling or dealing in securities and carrying such other activities as permitted by Stock Exchanges.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the International Financial Reporting Standards for Medium Sized Entities (MSE) as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These accounts have been prepared under the historical cost convention except as otherwise stated in the respective policies and notes given hereunder.

Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with the Accounting and Financial Reporting Standards for Medium-Sized Entities issued by the Institute of Chartered Accountants of Pakistan 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 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the valuation of investments. However, 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.

3.2 Property, Plant and Equipment

Fixed Assets are stated at cost less accumulated depreciation and accumulated impairment loss. Cost comprises acquisition and other directly attributable costs. Depreciation on Fixed Assets is calculated by applying reducing balance method.

Full month's depreciation is charged on additions while no depreciation is charged on assets disposed during the year. Gains and losses on disposal of fixed assets are added to income. All leasehold improvements are capitalised and amortised over the remaining life of the lease term or life of the improvement, whichever is shorter.

Maintenance and repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are written off. Gains and losses on disposal of assets, if any, are included in profit and loss account currently.

3.3 Intangible Assets

Trading Right Entitlement Certificate (TREC)

TREC has an indefinite useful life and accordingly is not amortised; however, it is tested for impairment periodically. Impairment loss is recognised in profit or loss account.

3.4 Trade and Other receivables

Trade and other receivables are stated at estimated realizable value after each debt has been considered individually. Where payment of a debt becomes doubtful, a provision is made and charged to income statement.

3.5 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.

3.6 Taxation

Income tax expense represents current tax expense. Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates, if any.

Deferred tax where applicable is accounted for using the liability method.

3.7 Trade and Other Payables

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

3.8 Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of revenue and the associated cost incurred or to be incurred can be measured reliably.

i) Brokerage Fee

Brokerage fee and commission on securities and commodities is recognised as and when the related services are rendered.

ii) Income on Bank Deposits

Mark up/ interest on bank deposits and return on investment is recognised on accrual basis.

iii) Others

Gain/loss on sale of investments is recognised in the year in which they arise. Dividend income is recognized when

3.9 Impairment of assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment or reversal of previous impairment, including items of property, plant and equipment, intangible assets and long-term investments. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognized in the income statement. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of amortization or depreciation) had no impairment losses been recognized for the asset in prior years. Reversal of impairment loss is restricted to the original cost of the asset.

3.10 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent such costs are directly attributable to acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of cost of the asset.

3.11 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, 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.

3.12 Related Party Transactions

Parties are considered to be related if one party has ability to control the other party and/or exercise significant influence over the other party in making financial and operating decisions. The company can enter into transactions with related parties on an arm's length basis determined in accordance with comparable uncontrolled price method.

3.13 Financial Instruments

3.13.1 Financial Assets

The company classifies its financial assets in the following categories; at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

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. They are included in current assets, except for assets with maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as trade debts, loans and advances, deposits, and other receivables and in the Balance Sheet.

c) Available-for-sale financial assets.

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months from the Balance Sheet date. Available-for-sale financial assets are classified as short term investments in the Balance Sheet.

Changes in fair value of securities classified as available-for-sale are recognised in equity.

3.13.2 Financial Liabilities

All financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instruments.

All the financial liabilities are derecognised when the obligation under the liability is discharged or cancelled, or when it expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognised liability in the profit & loss account.

3.13.3 Offsetting

Financial assets and liabilities are offset (and the net amount is reported in the balance sheet) if the company has a legally enforceable right to set off the recognised amounts and the company intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Note	June	June
	2017	2016
	Rupees	Rupees

4 INTANGIBLE ASSETS

Software (LSE Back Office)		25,000	25,000
Trading Right Entitlement Certificate (TREC)	4.1	4,100,000	4,100,000
Room Rights - LSE Plaza South Tower		2,132,800	-
		<u>6,257,800</u>	<u>4,125,000</u>

- 4.1 Pursuant to Memorandum of Understanding signed between Karachi Stock Exchange Limited (KSE), Lahore Stock Exchange Limited (LSE) & Islamabad Stock Exchange Limited (ISE) for integration of all three stock exchanges in Pakistan as envisaged in the Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012 (XV of 2012) [the Act], the Company has been issued TREC's of Pakistan Stock Exchange, in lieu of TREC of LSE previously issued. These have been carried at Cost less impairment.

5 LONG TERM INVESTMENTS

Investment in:			
NMDA (Pvt) Ltd - at cost		56,996,000	56,996,000
At fair value through profit or loss - designated on initial recognition			
LSE Financial Services Limited (formerly Lahore Stock Exchange Limited - LSEL)	5.1	14,887,719	5,063,850
		<u>71,883,719</u>	<u>62,059,850</u>

- 5.1 Pursuant to the promulgation of Stock Exchanges (Corporation, Demutualization and intergration) Act 2012, the company has received of 843,975 shares at Rs. 10 each with a total face value of Rs. 8,439,750 and Trading Right Entitlement Certificate (TREC) to the Company by the LSE Financial Services Limited (LSEFSL, formerly LSEL). Out of total shares issued by the LSE Financial Services Limited, the Company has received 40% equity shares i.e. 337,590 shares in its CDC Pledged account. The remaining 60% shares (506,385 shares) have been transferred to CDC sub-account in the company's name under the LSE's participant IDs with the CDC.

The Company has recognised the investment at fair value through profit or loss on the basis of break up value of shares of LSEFSL after considering the latest available financial information. In the absence of an active market, the acquisition cost of the shares was the closest estimate of the fair value of the shares and, as such, the shares were recorded at cost as at June 30, 2016. In December 2016, LSEFSL issued a circular notifying shareholders of the estimated value per share, which replaced acquisition cost

6 LONG TERM SECURITY DEPOSITS

National Clearing Company of Pakistan Limited		700,000	200,000
Central Depository Company of Pakistan Limited		100,000	100,000
Lahore Stock Exchange Ltd.		60,000	260,000
Pakistan Stock Exchange Ltd.		200,000	-
		<u>1,060,000</u>	<u>560,000</u>

7 SHORT TERM INVESTMENTS

Investment in Listed Securities		35,613,342	29,253,630
Loss on re-measurement of Investment in listed securities at fair value through profit or loss		(5,231,342)	(7,054,030)
		<u>30,382,000</u>	<u>22,199,600</u>

8 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Tax Refundable		38,976	31,656
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	Note	June	June
		2017	2016
		Rupees	Rupees
Advance Tax		1,569,608	-
Advance for Lahore Stock Exchange Office		-	2,132,800
Deposit against DFC Trading Exposure		6,000	-
NCSS		7,270	-
Capital Value Tax		739	-
		<u>1,622,592</u>	<u>2,164,456</u>

9 CASH AND CASH EQUIVALENTS

Cash in Hand		-	-
Cash at Bank	132-20311-714-110923	90,350	100,993
Cash at Client Bank Account	132-20610-714-113383	729,432	-
		<u>819,783</u>	<u>100,993</u>

10 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

	2017	2016		
	Number of shares			
	<u>9,700,000</u>	<u>7,700,000</u>	Ordinary shares of Rs. 10/- each fully paid	<u>97,000,000</u> <u>77,000,000</u>

11 LONG TERM LOAN

Loan from Director	-	10,000,000
	<u>-</u>	<u>10,000,000</u>

12 SHORT TERM LOAN

Loan from Director	2,716,846	9,108,525
	<u>2,716,846</u>	<u>9,108,525</u>

13 ACCRUED AND OTHER LIABILITIES

Trade Creditors	710,077	-
NCCPL Charges	40,169	-
Sales Tax Payable to PRA	15,583	-
Audit Fee Payable	45,000	45,000
	<u>810,830</u>	<u>45,000</u>

Note	June 2017 Rupees	June 2016 Rupees
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Number of Employees at the End of Year	3	1
Average Number of employees During the year	3	1

22 RELATED PARTY TRANSACTIONS

Related party transactions comprise of the repayment of a long-term loan from Director amounting to Rs. 10,000,000 and the net repayment in the amount of Rs. 6,391,679 of a short-term loan from Director..

23 PROVIDENT FUND

As there is no provident fund scheme, no related disclosures are applicable.

24 GENERAL

Figures have been rounded off to the nearest rupee.

The financial statements were approved by the Board of Directors and Authorized for issue on _____.

Asad Mustafa
CHIEF EXECUTIVE / DIRECTOR

