

*M. F. STOCKS
(PRIVATE) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016*

AUDITORS' REPORT TO THE MEMBERS


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

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

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

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with the 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 2016 and of the loss, its comprehensive income, cash flows and changes in equity for the year then ended;
- (d) in our opinion, no Zakat was deductible at source under Zakat & Ushr Ordinance, 1980; and
- (e) The financial statements for the year ended 30 June 2015 were audited by another firm of auditors, whose report dated 18 August 2015 expressed an unqualified opinion on those financial statements.

Lahore
Dated: 04 October 2016


Tariq Abdul Ghani Maqbool & Co.
Chartered Accountants
Shahid Mehmood

M. F. STOCKS (PRIVATE) LIMITED
BALANCE SHEET
AS AT 30 JUNE 2016

	NOTE	2016 RUPEES	2015 RUPEES
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	427,412	33,457
Intangible assets	5	4,224,000	4,224,000
Long term investments	6	8,976,000	8,976,000
Long term deposits	7	4,570,006	4,620,006
		18,197,418	17,853,463
Current Assets			
Trade debts	8	73,863	5,982,470
Short term investments	9	1,866,898	-
Other receivables	10	7,895	3,151
Income tax refundable	11	146,083	79,553
Cash and bank balances	12	3,464,587	5,354,402
		5,559,326	11,419,576
		<u>23,756,744</u>	<u>29,273,039</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital 300,000 ordinary shares of Rs. 100/- each	13	<u>30,000,000</u>	<u>30,000,000</u>
Issued, subscribed and paid up capital	13.01	17,000,000	17,000,000
Share deposit money		-	6,984,800
Revenue reserves		(2,551,132)	(904,633)
Loan from directors	14	9,058,560	5,800,000
		23,507,428	28,880,167
NON CURRENT LIABILITIES			
Current Liabilities			
Trade creditors	15	7,334	129,790
Accrued and other payables	16	240,400	248,248
Provision for taxation	17	1,582	14,834
		249,316	392,872
Contingencies and commitments	18	-	-
		<u>23,756,744</u>	<u>29,273,039</u>

The annexed notes from 01 to 30 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

**M. F. STOCKS (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2016**

	NOTE	2016 RUPEES	2015 RUPEES
Revenue		158,179	901,443
Operating expenses	19	2,439,967	1,747,847
Finance cost	20	4,729	3,801
		<u>(2,286,517)</u>	<u>(850,205)</u>
Other income	21	641,600	581,912
Loss before taxation		<u>(1,644,917)</u>	<u>(268,293)</u>
Taxation	22	1,582	14,834
Loss after taxation		<u>(1,646,499)</u>	<u>(283,127)</u>
Loss per share	23	<u>(9.69)</u>	<u>(1.67)</u>

The annexed notes from 01 to 30 form an integral part of these financial statements.

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CHIEF EXECUTIVE


DIRECTOR

M.F. STOCKS (PRIVATE) LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	RUPEES	RUPEES
Loss after taxation		(1,646,499)	(283,127)
Other comprehensive income / (loss)		-	-
Total comprehensive loss for the year		<u>(1,646,499)</u>	<u>(283,127)</u>

The annexed notes from 01 to 30 form an integral part of these financial statements.

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CHIEF EXECUTIVE



DIRECTOR

M. F. STOCKS (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	2016 RUPEES	2015 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(1,644,917)	(268,293)
Adjustment for non cash items:		
Effect of prior period adjustment	-	500,000
Finance cost	4,729	3,801
Depreciation	44,205	9,713
	<u>48,934</u>	<u>513,514</u>
Operating (loss) / profit before working capital change	(1,595,983)	245,221
Adjustments for working capital changes:		
Increase/ (decrease) in trade debts	5,908,609	(5,982,470)
(Increase) / decrease in short term investment	(1,866,898)	-
Increase in trade deposits and short term prepayments	(4,744)	(3,151)
(Decrease)/increase in trade payable	(122,456)	129,790
(Decrease)/increase accrued and other payables	(7,848)	248,248
	<u>3,906,663</u>	<u>(5,607,583)</u>
Cash generated form operating activities	2,310,680	(5,362,362)
Tax paid	(81,364)	(148,253)
Finance cost paid	(4,729)	(3,801)
Cash flow from operating activities	2,224,587	(5,514,416)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(438,160)	(43,170)
Long term deposits	50,000	(100,000)
Net cash used in investing activities	(388,160)	(143,170)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share deposit money	(6,984,800)	-
Loan from related party	3,258,558	5,800,000
Net cash used in financing activities	(3,726,242)	5,800,000
Net (decrease)/ increase in cash and cash equivalent	(1,889,815)	142,414
Cash and cash equivalent at the beginning of the year	5,354,402	5,211,988
Cash and cash equivalent at the end of the year	3,464,587	5,354,402

The annexed notes from 01 to 30 form an integral part of these financial statements.

MFM


CHIEF EXECUTIVE


DIRECTOR

M. F. STOCKS (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

(RUPEES)


	Share capital	Share deposit money	Revenue Reserves	Loan from director	Total
Balance as at 01 July 2014	17,000,000	6,984,800	(1,121,506)	-	22,863,294
Loan from director				5,800,000	5,800,000
Effect of prior period adjustment	-	-	500,000	-	500,000
Loss for the year	-	-	(283,127)		(283,127)
Balance as at 30 June 2015	17,000,000	6,984,800	(904,633)	5,800,000	28,880,167
Loan from director				3,258,560	3,258,560
Share deposit money	-	(6,984,800)	-	-	(6,984,800)
Loss for the year	-	-	(1,646,499)	-	(1,646,499)
Balance as at 30 June 2016	17,000,000	-	(2,551,132)	9,058,560	23,507,428

The annexed notes from 01 to 30 form an integral part of these financial statements.

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CHIEF EXECUTIVE



DIRECTOR

M. F. STOCKS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1 LEGAL STATUS AND NATURE OF BUSINESS

The Company was incorporated on May 30, 2012 as Private Limited Company under the provisions of Companies Ordinance, 1984 in Lahore, Pakistan. The registered office of the company is situated at office # 3B, Khawaja Arcade, opposite Chohan Road, Bund Road Lahore. The company is a Trading Right Entitlement Certificate (TREC) holder of Pakistan Stock Exchange Limited (formerly Lahore Stock Exchange Limited) and is engaged in the business of brokerage.

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.01 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives shall take precedence.

2.02 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value and employees retirement benefits at present value. In these financial statements, except for cash flow statement, all transactions have been accounted for on accrual basis.

2.03 Judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follow:

Depreciation method, rates and useful lives of property, plant and equipment

The management of the company reassesses useful lives, depreciation method and rates for items of property, plant and equipment annually by considering expected pattern of economic benefits that the company expects to derive from that item.

Recoverable

The management of the company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

Employees

The present value of defined benefit obligation is based assumptions of future outcomes, the principal ones being in respect of increases in remuneration, expected average remaining working lives of employees and discount rate used to derive present value of defined benefit obligation.

Taxation

The company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the company's view differs from the view taken by 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.

Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.04 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

- Standards, amendments to published standards and interpretations effective in current year.

Following are the amendments that are applicable for accounting periods beginning on or after 01 July 2016:

- New/Revised Standards, Interpretations and Amendments.

IFRS 13- Fair Value Measurement. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard only affects the disclosures in the company's financial statements.

- Improvement to Accounting Standards Issued by the IASB

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations- (changes in methods of disposal)

IFRS 7 Financial Instruments: Disclosures- (servicing contracts and applicability of the amendments to IFRS 7 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 improvements to accounting standards and interpretations are not likely to have an impact on the company's financial statements.

- Standards, interpretations and amendments to published standards that are effective but not relevant to the company.

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 01 July 2016 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

- Standards, interpretations and amendments to existing standards that are not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after their respective effective dates.

IFRS 10 - Consolidated Financial Statements 01 January 2016

IFRS 11 - Joint Arrangements 01 January 2016

IFRS 12 - Disclosure of Interests in Other Entities 01 January 2016

IAS 16 and 38 - Clarification of Acceptable Method of Depreciation and Amortization 01 January 2016

IAS 16 and 41 - Agriculture: Bearer Plants 01 January 2016

- The above standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the company's financial statements except for the increased disclosures in certain cases.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 09 - Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 15 - Revenue from Contracts with Customers	01 January 2018
IFRS 16 - Leases	01 January 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

3.01 Property, plant and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the item.

Parts of an item of property and equipment having different useful lives are recognized as separate items.

Major renewals and improvements of an item of property and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is recognized in profit or loss by applying reducing balance method over the useful life of each item of property and equipment using the rates specified in note 4 to the financial statements.

Depreciation on addition to property and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

Depreciation method, useful lives and residual values are reviewed at each reporting date.

De-recognition

An item of property and equipment is de-recognized when permanently retired from use. Any gain or loss on disposal of property, plant and equipment is recognized in profit and loss account.

3.02 Intangible assets

These represent Trading Rights Entitlement (TRE) Certificate and membership card of Pakistan Mercantile Exchange limited. An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Trading Right Entitlement (TRE) Certificate

It is stated at cost less impairment, if any. Cost is determined as the value of the membership card with which it has been exchanged. For this purpose, the cost of the membership card has first been allocated to the shares of PSX and the remaining cost has been allocated to the TREC.

3.03 Financial Instruments

Recognition

A financial instrument is recognized when the company becomes a party to the contractual provisions of the instrument.

De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged, cancelled or transferred to another party without retaining any obligation. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in the profit and loss account.

Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

Off-setting

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

"Regular way" purchases and sales of financial assets

All regular way purchases and sales of financial assets are recognized on trade date, i.e. the date the company commits to purchase or sell the asset. Regular way purchase or sales of financial assets are those contracts which requires delivery of assets within the time frame generally established by the regulation or convention in the market.

3.04 Ordinary share capital

Ordinary share capital is recognized as equity. Incremental costs directly attributable to the issuer of ordinary shares and share options are recognized as deduction from equity.

3.05 Borrowing

These are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit or loss over the period of the borrowing on an effective interest basis.

3.06 Employees retirement benefits

Short term employees benefits

The Company recognizes the undiscounted amount of short term employees benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit and loss account unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

The company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

Post-employment benefits

The company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualified period for service as defined under the respective scheme. Liability is adjusted annually to cover the obligation and the adjustment is charged to profit and loss account. The determination of the Company's obligation under the scheme requires assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration, expected average remaining working lives of employees and discount rate used to derive present value of defined benefit obligation.

3.07 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 the future for goods and services received, whether or not billed to the company and subsequently measured at amortized cost.

3.08 Trade and other receivables

Trade debts and other receivables are recognized initially at original invoice amount which is the fair value of trade debts and other receivables and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.09 Investment at fair value through profit and loss account

Investments are classified as investments at fair value through profit and loss account when either they are designated as such on initial recognition or are classified as held for trading. Held for trading investments are investments that are acquired principally for the purpose of selling them in the near future; or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of profit taking or that are derivatives, excluding financial guarantee contracts and designated and hedging instruments.

These are recognized initially at cost which includes transaction costs associated with the investment. Subsequent to initial recognition, quoted investments are measured at fair value. Unrealized gains and losses arising from changes in fair value are recognized in profit and loss account. Gain or loss on sale of investments is recognized in profit and loss account. Fair value of quoted investments is measured by reference to published price quotations in an active market. Unquoted investments, where active market does not exist, are carried at cost and checked for impairment at each year end. Impairment loss, if any, is charged to profit and loss account.

3.10 Investment available for sale

Investments are classified as available for sale when these are intended to be held for an indefinite period of time and may be sold in response to need for the liquidity or change in equity prices.

These are recognized initially at cost which includes transaction costs associated with the investment. Subsequent to initial recognition, quoted investments are measured at fair value. Unrealized gains and losses arising from changes in fair value are recognized in equity until the investments are disposed off or impaired. Gain or loss on sale of these investments is recognized in profit and loss account. Fair value of quoted investments is measured by reference to published price quotations in an active market. Unquoted investments, where active market does not exist, are carried at cost and checked for impairment at each year end. Impairment loss, if any, is charged to profit and loss account.

3.11 Securities sold / purchased under repurchase / resale agreements

Securities sold subject to a linked repurchase agreement ('repo') are retained in the financial statements and the counterparty liability is included in borrowings under repurchase agreements. The difference between sale and repurchase price is treated as mark-up income and is accrued over the life of agreement using the effective yield method.

3.12 Revenue

Revenue is measured at fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other operating income earned in the normal course of business. Revenue is recognized 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 costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

Brokerage income is recognized as and when such services are rendered.

Dividend income is recognized when right to receive payment is established.

Underwriting commission is recognized as and when the contract is executed. Take-up commission is recognized at the time of actual take-up.

Commission on continuous funding system is recognized as and when accrued.

Rental income is recognized as and when accrued.

Mark-up on saving account is recognized on time proportion basis.

3.13 Borrowing cost

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the profit or loss as incurred.

3.14 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any, or 1% of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred tax is accounted for using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effect on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the requirement of "Technical Release-27" of the Institute of the Chartered Accountants of Pakistan. Deferred tax is measured at rate that are expected to be applies to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax asset are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for timing differences that are not expected to reverse and for the temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting nor the taxable profit.

3.15 Cash and cash equivalents

Cash and cash equivalent for the purpose of cash flow statement compromise cash in hand and in current accounts with various banks after deducting balances under lien, if any. Cash and cash equivalents are carried at cost.

3.16 Functional currency

These financial statements are prepared in Pak Rupees which is Company's functional currency.

3.17 Impairment

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. Impairment losses are reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.18 Related party transactions

Related party transactions are carried out on an arm's length basis. Pricing for these transactions is determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

3.19 Provisions

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that 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.

4 Property, plant and equipment

The following is a statement of operating fixed assets (tangible):

	(Rupees)			
	Computer and equipment	Furniture and fixtures	Electronic and office equipment	Total
At 30 June 2014				
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book value in Rupees	-	-	-	-
Year ended 30 June 2015				
Additions	43,170	-	-	43,170
Depreciation charge for the year (note 4.01)	(9,713)	-	-	(9,713)
Net book value as at 30 June 2015	33,457	-	-	33,457
Year ended 30 June 2016				
Additions	253,825	54,000	130,335	438,160
Depreciation charge for the year (note 4.01)	(39,392)	(1,350)	(3,463)	(44,205)
Net book value as at 30 June 2016	247,890	52,650	126,872	427,412
At 30 June 2015				
Cost	43,170	-	-	43,170
Accumulated depreciation	(9,713)	-	-	(9,713)
Net book value in Rupees	33,457	-	-	33,457
At 30 June 2016				
Cost	296,995	54,000	130,335	481,330
Accumulated depreciation	(49,105)	(1,350)	(3,463)	(53,918)
Net book value in Rupees	247,890	52,650	126,872	427,412
Annual rates of depreciation (%)	30	10	10	

4.01 Depreciation charge for the year has been allocated as follows:

Operating expenses

2016	2015
Rupees	Rupees
44,205	9,713
44,205	9,713

M. F. STOCKS (PRIVATE) LIMITED

	Notes	2016 RUPEES	2015 RUPEES
5 INTANGIBLE ASSETS			
Trading Right Entitlement Certificate (TREC)	5.01 & 5.02	<u>4,224,000</u>	<u>4,224,000</u>
<p>5.01 Trading Right Entitlement Certificate (TREC) has been received from Pakistan Stock Exchange Limited (PSX) as a replacement of formerly issued TREC by Lahore Stock Exchange Limited (LSE) in accordance with the requirements of the Stock Exchanges (Corporation, Demutualization and integration) Act, 2012. The company has also received shares of PSX after completion of demutualization process.</p> <p>Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 the company has been allotted 843,975 shares of the face value of Rs. 10/- each, out of which 506,385 shares are kept in the blocked account and the divestment of the same will be made in accordance with the requirements of the Act within two years from the date of demutualization. Since the shares are not presently tradable the fair value cannot be determined with reasonable accuracy. The company has reclassified its investment from Intangible asset to long term investments at par value for better</p>			
<p>5.02 The company has pledged/hypothecated TREC of Lahore Stock Exchange Limited and 337,590 (40% of allotted shares) of LSE with LSE in compliance with Base Minimum Capital requirements under the Regulations Governing Risk Management of the LSE. The Board of Directors of LSE through its notice No. 1320 dated 06 March 2014 has assigned a nominal value of 4.1 million to TREC and 3.8 million to LSE shares aggregating to total BMC of 7.9 million.</p>			
6 LONG TERM INVESTMENTS			
Available for sale			
Investment in PSX shares		<u>8,976,000</u>	<u>8,976,000</u>
7 LONG TERM DEPOSITS			
Security deposit NCCPL		200,000	200,000
Security deposit CDC		100,000	200,000
Security deposit for PSX office		4,220,006	4,220,006
Others		50,000	-
		<u>4,570,006</u>	<u>4,620,006</u>
8 TRADE DEBTS			
Unsecured- considered good		<u>73,863</u>	<u>5,982,470</u>
9 SHORT TERM INVESTMENTS			
Investment in listed securities		<u>1,866,898</u>	<u>-</u>
10 OTHER RECEIVABLES			
Other receivables		<u>7,895</u>	<u>3,151</u>
		<u>7,895</u>	<u>3,151</u>
11 INCOME TAX REFUNDABLE			
Income tax refundable		<u>146,083</u>	<u>79,553</u>
12 CASH AND BANK BALANCES			
Cash in Hand		3,456,726	4,342,588
Cash at Bank			
- current account		7,861	1,011,814
		<u>3,464,587</u>	<u>5,354,402</u>
13 AUTHORISED SHARE CAPITAL			
300,000 ordinary shares of Rs. 100/- each		<u>30,000,000</u>	<u>30,000,000</u>
13.01 Issued, subscribed and paid-up capital			
170,000 (2015: 170,000) ordinary shares of Rs. 100 each		<u>17,000,000</u>	<u>17,000,000</u>

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		11,183,560	5,800,000
14	LOAN FROM DIRECTORS		
	14.01 These are interest free loans from directors of the company which are agreed to be paid at the discretion of the entity. They do not pass the liability test and thus recorded as equity at face value. They will not be re-measured subsequently. The decision by the entity at any time in future to deliver cash or any other financial asset to settle the directors' loan would be a direct debit to equity as per TR-32.		
15	TRADE CREDITORS	Notes	2016 RUPEES
	Trade creditors		2015 RUPEES
		7,334	129,790
16	ACCRUED AND OTHER PAYABLE		
	Income taxes payable	-	142,848
	Accrued expenses	240,400	105,400
		240,400	248,248
17	PROVISION FOR TAXATION		
	Opening balance	14,834	-
	Add: Taxation - current	1,582	14,834
		16,416	14,834
	Less: Tax payments / adjustments during the year	(14,834)	-
		1,582	14,834
18	CONTINGENCIES AND COMMITMENTS		
	18.01 Contingencies		
	Contingencies as at balance sheet date were Nil (2015: Nil).		
	18.02 Commitments		
	There were no commitments as at balance sheet date.		
19	OPERATING EXPENSES		
	Salaries, wages and benefits	636,670	538,000
	Utilities	502,160	110,967
	Travelling and conveyance	53,934	64,754
	Postage and courier	3,550	11,052
	Printing and stationery	12,912	25,264
	Entertainment	91,702	193,221
	Newspapers and periodicals	608	496
	Fee and subscription	75,075	50,000
	Trading charges	54,961	469,380
	Web and software expenses	82,490	80,000
	Repair and maintenance	9,700	105,000
	Rent, rates and taxes	511,000	-
	Legal and professional charges	111,000	20,000
	Auditor's remuneration	250,000	70,000
	Depreciation	44,205	9,713
		2,439,967	1,747,847
	19.01 Auditor's Remuneration:		
	Statutory audit fee	250,000	70,000
20	FINANCE COST		
	Bank charges	4,729	3,801
21	OTHER INCOME		
	Dividend income	632,981	565,462
	Other income	8,619	16,450
		641,600	581,912

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	Notes	2016 RUPEES	2015 RUPEES
22 TAXATION			
Current			
- for the year		1,582	14,834
		<u>1,582</u>	<u>14,834</u>
23 EARNINGS PER SHARE			
23.01 Basic			
Net loss for the year		(1,646,499)	(283,127)
weighted average number of shares outstanding during the period		170,000	170,000
Loss per share - basic (Amount in rupees)		<u>(9.69)</u>	<u>(1.67)</u>

23.02 Diluted

There is no dilutive effect on the basic earnings per share of the company because the company has no outstanding potential ordinary shares.

24 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**FINANCIAL RISK MANAGEMENT**

The company's activities expose to a variety of financial risks from use of financial instruments including:

Credit risk
Liquidity risk
Market risk

The company's overall risk management programmed focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

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

COMPANY RISK MANAGEMENT OBJECTIVE AND POLICIES

The company risk management policies are established to identify and analysis the risk faced by the company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and system are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through it's training and management's standards and procedures, aims to develop discipline and constructive control environment in which all employees understand their roles and obligations.

The company's management oversees how management monitors and compliance with company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the company.

24.01 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter party fail completely to perform as contracted and arise principally from trade receivables, loans and advances and trade deposits.

To manage exposure to credit risk in respect of trade debts. Management maintains procedures covering the application for credit approvals, granting and renewal of counter parties limit taking into account the customer's financial position, past track record, credit rating and factors. As a part of these processes, exposures of credit risk are regularly monitored, assessed and customers are persuaded for prompt recovery. In addition to this the company has established an allowance for impairment that is estimate of expected losses in respect of trade debts. This allowance is based on management assessment of specific loss component that relate to significant exposures. Sales and purchase transactions are also excluded against advance payments to further prudently manage the credit risk.

The company limits its exposure to credit risk by following the policies and procedures of approval and continuous monitoring of loans and advances extended to management / staff and supplier and maintain bank account only with counterparty that have high degree of credit rating. Advance tax is adjustable or recoverable from FBR which is a State authority and high credit rating. Given these high credit ratings, management do not expect that any of these counterparty fail to meet its obligations.

	Rating Agency	Credit Rating	
		Short term	Long term
Bank Alfalah Limited	PACRA	AA	A1+

24.02 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date was:

	NOTE	2016 Rupees	2015 Rupees
Long term deposits	7	4,570,006	4,620,006
Trade receivables	8	73,863	5,982,470
Cash and bank balances	12	3,464,587	5,354,402
		<u>8,108,456</u>	<u>15,956,878</u>

24.03 Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similar affected by the changes in economic, political or other conditions. The company believes that it is not exposed to major concentration of credit risk.

The allowance accounts in respect of trade receivables, loans and advances are used to record impairment losses unless the company is satisfied that no recovery of the amount owing is possible, at that point the amount considered irrecoverable is written off against the financial asset directly.

24.04 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market position due to dynamic nature of the business. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the company's reputation.

The following are the contractual maturities of financial liabilities as at 30 June 2016 and 2015.

Description	Carrying Amounts	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
30 June 2016					
Trade payables	7,334	7,334	7,334	-	-
Accrued and other payables	240,400	240,400	240,400	-	-
	<u>247,734</u>	<u>247,734</u>	<u>247,734</u>	<u>-</u>	<u>-</u>

Description	Carrying Amounts	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
30 June 2015					
Trade payables	129,790	129,790	129,790	-	-
Accrued and other payables	248,248	248,248	248,248	-	-
	<u>378,038</u>	<u>378,038</u>	<u>378,038</u>	<u>-</u>	<u>-</u>

24.05 Market risk

The company's activities expose it to a variety of market risks (in addition to liquidity and credit risks). Market risk with respect to the company's activities include interest rate risk, currency risk and other price risk.

Interest rate risk arises from the possibility that changes in interest rate will affect the value of financial instruments. Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of financial assets and liabilities that mature or reprice in a given period.

The company's exposure to interest rate risk on its financial assets and financial liabilities are summarized as follows:

	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees	Not exposed to interest rate risk Rupees	Total Rupees
As at 30 June 2016					
FINANCIAL ASSETS					
Trade debts	73,863	-	-	-	73,863
Short term investments	-	-	-	1,866,898	1,866,898
Bank balances	-	-	-	7,861	7,861
	<u>73,863</u>	<u>-</u>	<u>-</u>	<u>1,874,759</u>	<u>1,948,622</u>
FINANCIAL LIABILITIES					
Trade payables	-	-	-	7,334	7,334
Accrued and other payables	-	-	-	240,400	240,400
	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,734</u>	<u>247,734</u>
Total Interest rate sensitivity gap	73,863	-	-		
Cumulative interest rate sensitivity gap	<u>73,863</u>	<u>73,863</u>	<u>73,863</u>		
As at 30 June 2015					
FINANCIAL ASSETS					
Trade debts	5,982,470	-	-	-	5,982,470
Bank balances	-	-	-	1,011,814	1,011,814
	<u>5,982,470</u>	<u>-</u>	<u>-</u>	<u>1,011,814</u>	<u>6,994,284</u>
FINANCIAL LIABILITIES					
Trade payables	-	-	-	129,790	129,790
Accrued and other payables	-	-	-	248,248	248,248
	<u>-</u>	<u>-</u>	<u>-</u>	<u>378,038</u>	<u>378,038</u>
Total Interest rate sensitivity gap	5,982,470	-	-		
Cumulative interest rate sensitivity gap	<u>5,982,470</u>	<u>5,982,470</u>	<u>5,982,470</u>		

Mark-up rates are mentioned in the respective notes to the accounts.

24.06 Foreign currency risk management

Foreign currency risk arises mainly where receivables and payables exists due to the transactions with foreign undertakings. Financial assets and financial liabilities of the company are not exposed to currency risk as the company has not entered into any transaction with any foreign undertakings.

24.07 Interest rate risk management

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. The company has significant amount of interest based financial assets and financial liabilities which are largely based on variable interest / mark-up rates, therefore the company has to manage the related finance cost which exposes it to the risk of 01 month, 3 months and 6 months KIBOR. Since the impact on interest rate exposure is significant to the Company, management is considering the alternative arrangement to manage interest rate exposure in future.

24.08 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other shareholders, and to maintain a strong capital base to support the sustained development of its businesses.

The company manage its capital structure by effective cash flow management to ensure availability of funds and by monitoring return on net assets and make adjustments thereto in the light of changes in economic conditions. Consistent with the others in the industry, the company manage its capital risk by monitoring its debt levels and liquid assets and keeping in view future requirements and expectations of the shareholders. Debt is calculating as total borrowings. Total capital comprises shareholders equity as shown in the balance sheet under share capital and reserves. In order to maintain or adjust the capital structure, the company may also adjust the amount of dividends paid to shareholders or issue new shares.

24.09 Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The company is not exposed to any price risk as there are no financial instrument at the reporting date that are sensitive to price fluctuations.

Fair value of financial assets and financial liabilities

The carrying value of financial assets and liabilities reflected in the financial statements approximate to their fair value.

25 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of holding company, subsidiaries and associated undertakings, other related group companies, key management personnel including chief executive, directors and executives and post employment benefit plans. The company in the normal course of business carries out transactions with various related parties.

25.01 Detail of related parties as follows:

Loan from related parties	14	<u>3,258,560</u>	<u>-</u>
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26 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received so sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is going concern and there is no intention or requirements to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

26.01 Recognised fair value measurements - Financial instruments

25.01.1 Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels.

As at 30 June 2016	Level 1	Level 2	Level 3	Total
Financial asset:				
Held for trading	1,866,898	-	-	1,866,898
Total non-financial assets	<u>1,866,898</u>	<u>-</u>	<u>-</u>	<u>1,866,898</u>
As at 30 June 2015	Level 1	Level 2	Level 3	Total
Financial asset:				
Held for trading	-	-	-	-
Total non-financial assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

27 SUBSEQUENT EVENTS

- There were no significant adjustable events subsequent to 30 June 2016, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

28 NUMBER OF EMPLOYEES


- The total number of employees as at June 30, 2016 were 1 (June 30, 2015: 2) and the average number of employees during the year were 1 (June 30, 2015: 2).

29 DATE OF AUTHORIZATION FOR ISSUE

- These financial statements were authorized for issue as on 04 October 2016 by the Board of Directors of the company.

30 GENERAL

- Figures have been rounded off to the nearest rupees in except where stated otherwise.
- Corresponding figures have been rearranged/reclassified, wherever necessary, to facilitate comparison.


CHIEF EXECUTIVE


DIRECTOR