AUDITORS' REPORT TO THE MEMBERS

We have audited the accompanying financial statements of **MGM Securities (Private) 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.

11 HAPPY HOME 38/A MAIN GULBERG, SALMAN AHMAD ROAD, LAHORE, Pakistan.
Tel: +92(0)42-35776691-5, Fax: +92(0)42-35776695, Email: info@iecnet.com.pk, URL: www.iecnet.com.pk
Other Offices: Karachi – Peshawar – Islamabad

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.
October 07, 2017.

MGM SECURITIES (PRIVATE) LIMITED
BALANCE SHEET
AS AT 30 JUNE 2017

	Note	2017 Rupees	2016 Rupees
ASSETS			
Non-current assets			
Fixed assets	4	9,961,602	10,678,343
Intangible assets	5	321,550	321,550
Long term investments	6	678,450	678,450
Long term advances & deposits	7	4,246,008	3,246,008
		15,207,610	14,924,351
Current assets			
Trade debtors	8	14,590,027	5,773,516
Advances, deposit & prepayments	9	15,981,674	8,525,691
Short term investment	10	3,269,680	3,311,630
Advance tax	11	3,102,288	785,049
Cash and bank balance	12	35,492,729	46,805,402
		72,436,398	65,201,288
		87,644,008	80,125,639
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital		60,000,000	60,000,000
Issued, subscribed & paid up capital	13	18,500,000	18,500,000
Reserves	14	28,425,542	22,638,224
		46,925,542	41,138,224
Non-current liabilities			
Liabilities against assets subject to finance lease	15	1,533,645	2,072,247
Current liabilities			
Trade and other payables	16	36,057,107	35,434,422
Accured Expenses		24,341	-
Current portion of non current liabilities		537,456	489,876
Provision for taxation		2,565,916	990,870
		39,184,820	36,915,168
Contingencies and commitments	17		-
		87,644,008	80,125,639

The annexed notes from 1 to 32 form an integral part of these financial statements.

MGM Securities (Pvt) Ltd. TREC HOLDER Code-296 Pakistan Stock Exchange

CHIEF EXECUTIVE

DIRECTOR

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

	Note	2017 Rupees	2016 Rupees
Revenue	18	**19,985,684**	12,231,008
Operating expenses	19	**(13,554,717)**	(10,686,720)
Other operating income	20	**2,216,532**	1,830,176
Operating Profit		**8,647,499**	3,374,464
Finance cost	21	**(231,665)**	(142,701)
Profit before taxation		**8,415,834**	3,231,763
Taxation	22	**(2,565,916)**	(861,008)
Profit after taxation		**5,849,919**	2,370,755
Earning per share	23	**31.62**	12.81

The annexed notes from 1 to 32 form an integral part of these financial statements.

MGM Securities (Pvt) Ltd. * Pakistan Stock Exchange * TREC HOLDER Code-296

CHIEF EXECUTIVE

DIRECTOR

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

	Note	2017 Rupees	2016 Rupees
Profit after taxation		5,849,919	2,370,755
Other Comprehensive Income			
Impairment gain/(loss) on short term investments		(62,600)	(475,095)
Total Other Comprehensive Income		5,787,319	1,895,660

The annexed notes from 1 to 32 form an integral part of these financial statements.

MGM Securities (Pvt) Ltd. TREC HOLDER Code-296 ★Pakistan Stock Exchange★

CHIEF EXECUTIVE

DIRECTOR

MGM SECURITIES (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 Rupees	2016 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		8,415,834	3,231,763
Adjustments for non cash / non operating items:			
Finance cost	21	231,665	142,701
Depreciation	4.01	758,541	622,042
		990,206	764,743
Operating loss before working capital changes		9,406,040	3,996,506
Change in working capital			
Changes in operating assets and liabilities:			
Decrease in trade debtors		(8,816,511)	4,126,070
(Increase) / decrease in advances, deposits & prepayments		(7,455,983)	(5,979,652)
(Increase) / decrease in advance tax		(2,317,239)	(785,049)
Increase / (decrease) in accrued Expenses		24,341	-
Increase / (decrease) in Current Portion of Lease		47,580	-
Increase in trade & other payables		622,686	6,005,347
		(17,895,127)	3,366,716
Cash generated form operating activities		(8,489,086)	7,363,222
Finance cost		(231,665)	(142,701)
Taxation paid		(990,870)	(517,929)
Cash Inflow from operating activities		(9,711,621)	6,702,592
CASH FLOW FROM INVESTING ACTIVITIES			
Addition in short term investments		(20,650)	(1,286,725)
Long term advances & deposits		(1,000,000)	(161,917)
Addition in Fixed Assets		(41,800)	(4,160,620)
Cash Outflow From Investing Activities		(1,062,450)	(5,609,262)
CASH FLOW FROM FINANCING ACTIVITIES			
Liabilities against assets subject to Finance Lease		(538,602)	2,562,123
Cash Outflow From Financing Activities		(538,602)	2,562,123
Net decrease in cash and cash equivalents		(11,312,673)	3,655,453
Cash and cash equivalents at the beginning of the year		46,805,402	43,149,949
Cash and cash equivalents at the end of the year		35,492,729	46,805,402

The annexed notes from 1 to 32 form an integral part of these financial statements.

MGM Securities (Pvt) Ltd. TREC HOLDER Code-296 Pakistan Stock Exchange

CHIEF EXECUTIVE

DIRECTOR

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

(RUPEES)

	SHARE CAPITAL	UNREALIZED LOSS ON INVESTMENTS AVAILABLE FOR SALE	REVENUE RESERVES UNAPPROPRIATED PROFIT	TOTAL
As at 30 June 2015	18,500,000	-	20,742,564	39,242,564
Prior Year Adjustment	-	-		-
Profit for the year	-	-	2,370,755	2,370,755
Transfer to profit and loss account	-	-	-	-
Unrealized loss on investments available for sale	-	(475,095)	-	(475,095)
Capital Contribution	-	-	-	-
As at 30 June 2016	18,500,000	(475,095)	23,113,319	41,138,224
Prior Year Adjustment	-	-	-	-
Profit for the year	-	-	5,849,919	5,849,919
Transfer to profit and loss account				
Unrealized gain/(loss) on investments available for sale		(62,600)		(62,600)
Capital Contribution				
As at 30 June 2017	18,500,000	(537,695)	28,963,237	46,925,542

The annexed notes from 01 to 35 form an integral part of these financial statements.

Chief Executive

Director

1 LEGAL STATUS AND NATURE OF BUSINESS

The Company was incorporated on October 27, 2003 as Private Limited Company under the provisions of Companies Ordinance, 1984 in Lahore, Pakistan. The registered office of the company is situated at Room # 10, Ground Floor, Lahore Stock Exchange Building, Lahore. The company is a Trading Right Entitlement Certificate (TREC) holder of Lahore Stock Exchange Limited (formerly Lahore Stock Exchange (Guarantee) 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 drive from that item.

Recoverable amount of assets / cash generating units

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 retirement benefits

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.

2.05 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 2015:

- 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 2015 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 - Join 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 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.

3.03 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.

3.04 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.

3.05 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 unveiled 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.

3.06 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.

3.07 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.

3.08 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.

3.09 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 recognised 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 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.

3.11 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.

3.12 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 bowering 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.

3.13 Income tax

Income tax expense compromises 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.

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.

3.14 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.

3.15 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency at exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate at the date that fair value was determined. Non-monetary assets and liabilities denominated in the foreign currency that are measured at historical cost are translated to functional currency at exchange rate at the date of transaction. Gain or loss arising on translation of foreign currency transactions and balances is recognized in profit and loss account.

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.

3.20 Accounting policy

Trade date accounting policy is used by the broker;i.e transactions are recorded,when oreder for sale and purchase are executed .

4- SCHEDULE OF FIXED ASSETS

PARTICULARS	COST			DEPRECIATION				W.D.V.
	As At 01-07-16	Addition / (Deletion)	As At 30-06-17	Rate %	As At 01-07-16	For The Year	As At 30-06-17	As At 30-06-17
Owned:								
Office Building	11,500,000	-	11,500,000	5%	5,230,543	313,473	5,544,016	5,955,984
Tools & Equipment	345,500	5,800	351,300	10%	224,117	12,718	236,835	114,465
Computer & Softwares	600,800	36,000	636,800	10%	385,509	25,129	410,638	226,162
Furniture & Fixture	1,028,586	-	1,028,586	10%	764,116	26,447	790,563	238,023
Leased:								
Vehicles	4,043,620	-	4,043,620	10%	235,878	380,774	616,652	3,426,968
Total - 2017	**17,518,506**	**41,800**	**17,560,306**		**6,840,163**	**758,541**	**7,598,704**	**9,961,602**

	Note	2017 Rupees	2016 Rupees
5 Intangible assets			
Trading Right Entitlement Certificate (TREC)	5.01 & 5.02	321,550	321,550
		321,550	321,550

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 LSE after completion of demutualization process.

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 presentation.

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. Recently the shares have been recognized at Rs. 678,450 and TREC at Rs. 321,550.

	Note	2017 Rupees	2016 Rupees
6 Long term investments			
Available for sale			
Investment in PSX shares		678,450	678,450
		678,450	678,450

	Note	2017 Rupees	2016 Rupees
7 Long term advances & deposits			
Security deposit-PSX office		200,000	200,000
Security deposit-NCCPL		1,200,000	200,000
Security deposit-CDC		100,000	100,000
PSX clearing house deposit		30,000	30,000
Rent Security		174,000	174,000
Advance against room in LSE South Tower	7.01	2,542,008	2,542,008
		4,246,008	3,246,008

7.01 The current balance of the head represents the company's investment in the South Tower of LSE where it has purchased an office to establish a branch for the promotion of company's business.

	Note	2017 Rupees	2016 Rupees
8 Trade receivables			
Due from related parties- considered good	8.01	7,579	205,515
Others:			
Unsecured- considered good		14,582,448	5,568,001
		14,590,027	5,773,516

8.01 This represents transactions with related parties
Related parties comprise of:

Chief Executive Officer		7,579	205,515
		7,579	205,515

8.02 Overdue moe than 5 days		2,789,720	
Value of collateral held against clients overdue more than 5 days		(1,522,665)	
		1,267,055	

9 Advances and other receivables			
Advance to PSX - (Exposure)		14,500,000	7,000,000
Loan to CEO		1,380,000	1,380,000
Advances to staff		101,674	145,691
		15,981,674	8,525,691
10 Short term investments			
Quoted			
Investments in securities		3,269,680	3,311,630
		3,269,680	3,311,630
11 Advance tax	11.01	3,102,288	785,049
11.01 Opening		785,049	592,360
Add: Tax deductions during the year		3,102,288	785,049
		3,887,337	1,377,409
Less: Adjustments		(785,049)	(592,360)
		3,102,288	785,049
12 Cash and bank balances			
Cash in hand		13,430	13,429
Cash at bank			
- Current accounts		18,381,739	22,420,397
- Saving accounts	12.01	17,097,561	24,371,576
		35,492,729	46,805,402

12.01 These carry profit/mark-up ranging from 5.25% to 7.15% (2015: 7.00% to 7.50%) p.a.

13 Issued, subscribed and paid-up capital			
185,000 (2016: 185,000) ordinary shares of Rs. 100 each issued for cash		18,500,000	18,500,000
		18,500,000	18,500,000

13.01
Pattern of shareholding

	No of shares	No of shares
Mian Ghulam Mohiuddin	110,000	110,000
Zia Mohiuddin	2,000	2,000
Hassan Iqbal	71,000	71,000
Nagina Akhtar	2,000	2,000
	185,000	185,000

	NOTE	2017 Rupees	2016 Rupees
14 Reserves			
Capital reserves:			
Unrealized gain/(loss) on investments available for sale		(537,695)	(475,095)
		(537,695)	(475,095)
Revenue reserves:			
Unappropriated profit		28,963,237	23,113,319
		28,963,237	23,113,319
		28,425,542	22,638,224

15 Liabilities against assets subject to finance lease

From banking companies- Secured

	NOTE	2017 Rupees	2016 Rupees
Present value of minimum lease payment		2,072,247	2,562,123
Less: current portion		(538,602)	(489,876)
	15.01	1,533,645	2,072,247

15.01 The amount of future payments and the years in which these will become due are:

	2017 Rupees	2016 Rupees
Not later than one year	712,942	712,942
Later than one year but not later than five year	1,723,418	2,436,360
Later than five years	-	-
	2,436,360	3,149,302
Less: finance cost allocated to future periods	(364,113)	(587,179)
	2,072,247	2,562,123
Less: current portion	(538,602)	(489,876)
	1,533,645	2,072,247

15.02 These represent liabilities against vehicles under finance lease. The principal plus financial charges are payable over the lease period in monthly instalments as per respective agreements ending in the month of October 2020. The liability as at balance sheet date represents the present value of total minimum lease payments discounted at 9.52 % per annum being the interest rates implicit in leases. The purchase option is available to the Company on payment of last instalment and surrender of deposit at the end of lease period and the Company intends to exercise this option. Reconciliation of minimum lease payments and their present values is given above.

16 Trade and other payables

	NOTE	2017 Rupees	2016 Rupees
Trade creditors			
Unsecured- considered good		34,858,738	34,012,812
Due from related parties- considered good	16.01	92,134	327,960
		34,950,872	34,340,772
Staff welfare fund		336,348	320,334
Tax payable		260,459	216,838
Auditors' remuneration		250,000	250,000
Other payables		259,428	306,478
		36,057,107	**35,434,422**

16.01 This represents transactions with related parties

	2017 Rupees	2016 Rupees
Related parties comprise of:		
Directors	33,528	327,960
Chief Executive Officer	58,605	-
	92,134	327,960

17 Contingencies and commitments

17.01 There were no contingencies and commitments at the year end (2016:Nil).

		NOTE	2017 Rupees	2016 Rupees
18	**Revenue**			
	Brokerage		23,429,856	14,584,147
	Less: Commission expense		(3,444,172)	(2,353,139)
			19,985,684	12,231,008
	18.01			
	Turnover from proprietary trade		806,231	
	Turnover from retail customers		19,179,453	
	Turnover from institutional customers		-	
			19,985,684	
19	**Operating expenses**			
	Directors' remuneration	26	4,860,000	3,180,000
	Salaries, wages and benefits		4,445,966	3,583,429
	Rent, rates and taxes		174,750	162,000
	Electricity and communication charges		350,194	347,858
	Printing and stationery		125,554	36,800
	Postage and telegram		195,610	172,506
	Repair and maintenance		233,610	419,394
	Travelling and conveyance		5,000	-
	Fee and subscription		640,590	550,629
	Auditors' remuneration	19.01	309,300	250,000
	National Clearing Company charges		219,824	204,875
	Trading expenses		678,965	274,276
	Entertainment		306,626	292,337
	Insurance expenses		124,140	137,860
	Legal & Professional Charges		-	353,700
	Charity & Donations		57,000	29,000
	Depreciation	4	758,541	622,042
	EOBI Contribution		23,400	16,710
	Miscellaneous expenses		45,647	53,304
			13,554,717	10,686,720
	19.01 Auditors' remuneration			
	Statutory audit fee		309300	250,000
	Interim review fee			-
			309,300	250,000
20	**Other operating income (Working 1)**			
	Bank Profit		1,068,151	1,101,783
	Profit on PSX Deposit		479,791	90,922
	Dividend		421,988	632,981
	IPO Commission		3,871	4,490
	Capital Gain / (Loss)		242,732	-
			2,216,532	1,830,176
21	**Finance cost**			
	Mark-up		216,163	128,006
	Bank charges and commission		15,502	14,695
			231,665	142,701
22	**Taxation**			
	Current			
	- for the year	22.01	2,565,916	925,939
	- Prior year			(64,931)
			2,565,916	861,008

22.01 Provision for the year has been made in accordance with section 233(A) of the Income Tax Ordinance, 2001 ("the Ordinance").

22.02 Assessment for and upto tax year 2015 are deemed assessment under section 120 (1) of the Ordinance, as per Income Tax Returns filed by the company.

22.03 There is no relationship between tax expense and accounting profit since the company's profits are subject to tax under section 233(A). Accordingly, no numerical reconciliation has been presented.

23 Earning per share - basic and diluted

23.01 Basic

Profit for the year	5,849,919	2,370,755
Weighted average number of shares outstanding during the period	185,000	185,000
Earning per share - basic (Amount in Rupees)	31.62	12.81

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 fai 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
Summit Bank Limited	JCR	A-1	A-
Bank Alfalah Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
Allied Bank Limited	PACRA	A1+	AA+

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	2017 Rupees	2016 Rupees
Long term deposits	7	4,246,008	3,246,008
Trade receivables	8	14,590,027	5,773,516
Advances and other receivables	9	15,981,674	8,525,691
Cash and bank balances	12	35,492,729	46,805,402
		70,310,438	64,350,617

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.

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 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 reprise in a given period.

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 **Details of related party transactions:**	**Notes**	**2017 Rupees**	**2016 Rupees**
Transactions with related parties			
Chief Executive Officer		7,579	205,515

25.02 **Compensation of key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The company's key management personnel comprise the Chief Executive and Directors.

26 **Remuneration of Chief Executive and Directors**

	Directors	
Managerial remuneration	4,860,000	3,180,000
House rent allowance	-	-
Utilities	-	-
Retirement benefits	-	-
Total	4,860,000	3,180,000
No. of persons	2	2

26.01 No remuneration is paid to Chief executive of the Company and no other employees are qualified for executives of the company

27 **Customers's assets**

Customers' assets held in Central despository system	
Customers' assets held in Bank	18,381,739

28 **FAIR VALUES 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.

28.01 RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

28.01.1 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. An explanation of each level follows underneath the table.

As at 30 June 2017	Level 1	Level 2	Level 3	Total
Financial Assets:				
Available for Sale	3,269,680	-	-	3,269,680
Total Non-Financial Assets				

As at 30 June 2016	Level 1	Level 2	Level 3	Total
Financial Assets:				
Available for Sale	3,311,630	-	-	3,311,630
Total Non-Financial Assets	3,311,630	-	-	3,311,630

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There was no transfer in and out of level 1 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

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.

29 SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to 30 June 2017, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

30 NUMBER OF EMPLOYEES

The total number of employees as at June 30, 2017 were 18 (June 30, 2016: 18) and the average number of employees during the year were 18 (June 30, 2016: 18).

31 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue as on 07 October 2017 by the Board of Directors of the Company.

32 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 comparision.

MGM Securities (Pvt) Ltd. TREC HOLDER Code-296 Pakistan Stock Exchange

Chief Executive

Director