

TO THE MEMBERS

**NAEL CAPITAL PRIVATE
LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2017**

NAEL CAPITAL (PRIVATE) LIMITED "the company" has prepared its financial statements (including the balance sheet, profit and loss statement, cash flow statement and statement of changes in equity) for the year ended June 30, 2017, which are referred to as the "financial statements", for the year ended June 30, 2017, and the explanation which, to the best of our knowledge and belief, is true and correct.

We have established and maintain a system of internal control, and we have prepared these financial statements in conformity with the approved accounting standards and the Companies Ordinance, 1984. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform our 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 statements.

We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) In our opinion proper books of account have been kept by the company as required by the repealed Companies Ordinance, 1984;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the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;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, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2017 and of the profit for the year then ended; and
- d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

102 OCT 2017

[Signature]
The Firm

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **NAEL CAPITAL (PRIVATE) LIMITED** "the company" as at **June 30, 2017** and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming parts thereof (here-in-after referred to as the "financial statements"), for the year then ended. We state that we have obtained all the information and explanation which, to the best of our knowledge and belief, were necessary for the purpose 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 requirement of the repealed Companies Ordinance, 1984. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform 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 statements.

We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion proper books of account have been kept by the company as required by the repealed 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 repealed 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2017 and of the profit for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

DATE: 03 OCT 2017
KARACHI

UHY Hassan Naeem & Co.
Chartered Accountants
Imran Iqbal

NAEL CAPITAL (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2017

	Note	2017 (Rupees)	2016 (Rupees)
ASSETS			
NON CURRENT ASSETS			
Property and equipment	4	6,940,425	8,141,211
Intangible assets	5	17,212,112	16,953,340
Investment - available for sale	6	41,163,833	80,147,660
Long term deposits	7	2,220,800	2,220,800
		67,537,170	107,463,011
CURRENT ASSETS			
Trade debts	8	5,687,045	5,520,806
Deferred taxation		-	1,905,412
Short term investment	9	6,040,390	907,250
Advances, deposits, prepayments and other receivables	10	74,906,935	14,824,254
Cash and bank balances	11	20,390,113	11,660,003
		107,024,483	34,817,726
		174,561,652	142,280,737
EQUITY AND LIABILITIES			
CAPITAL RESERVES			
Authorized capital	0	300,000,000	300,000,000
Issued, subscribed and paid-up capital	0	50,000,000	50,000,000
Share premium		51,000,000	51,000,000
Surplus on investment available for sale		9,104,773	-
Unappropriated profit		23,263,128	3,277,963
		133,367,901	104,277,963
NON-CURRENT LIABILITIES			
Advance against issue of shares		20,434,993	20,434,993
Liabilities against assets subject to finance lease	13	3,636,751	5,202,661
		24,071,744	25,637,654
CURRENT LIABILITIES			
Trade and other payable	14	15,556,097	10,807,694
Liabilities against assets subject to finance lease		1,565,910	1,557,425
		17,122,007	12,365,119
Contingencies and commitments	15	-	-
		174,561,652	142,280,737

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



 Director

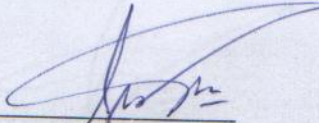


 Director


**NAEL CAPITAL (PRIVATE) LIMITED
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED JUNE 30, 2017**

	<i>Note</i>	2017 <i>(Rupees)</i>	2016 <i>(Rupees)</i>
Operating revenue	16	23,770,214	15,535,952
Operating and administrative expenses	17	(21,099,448)	(20,385,513)
Provision for bad debts		<u>(500,000)</u>	<u>-</u>
Operating Profit/(Loss)		2,170,766	(4,849,561)
Other income	18	<u>20,191,908</u>	<u>1,807,589</u>
NET PROFIT/(LOSS) BEFORE TAXATION		22,362,674	(3,041,972)
Taxation	19	<u>(2,377,511)</u>	<u>1,637,609</u>
NET PROFIT/(LOSS) AFTER TAXATION		<u><u>19,985,163</u></u>	<u><u>(1,404,363)</u></u>

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



Director



Director

NAEL CAPITAL (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	2017 (Rupees)	2016 (Rupees)
Profit/(loss) for the year	19,985,163	(1,404,363)
Other Comprehensive Income		
Unrealised gain on revaluation of investments available for sale	9,104,773	-
TOTAL COMPREHENSIVE INCOME/(LOSS)	29,089,936	(1,404,363)

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

Balance as at June 30,		
2016	50,000,000	51,000,000
Net profit for the year	19,985,163	(1,404,363)
Surplus/(deficit)	9,104,773	9,104,773
Balance as at June 30,		
2017	50,000,000	51,000,000

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



 Director

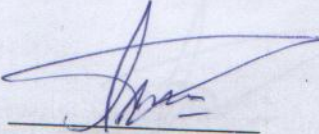


 Director

NAEL CAPITAL (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

	Issued, Subscribed and Paid-up Capital	Share Premium	Accumulated Profit/(Loss)	Surplus On Investment Available For Sale	Total
-----Rupees-----					
Balance as at June 30, 2015	50,000,000	51,000,000	4,682,328	-	54,682,328
Net (loss) for the year	-	-	(1,404,363)	-	(1,404,363)
Balance as at June 30, 2016	50,000,000	51,000,000	3,277,965	-	104,277,965
Net profit for the year	-	-	19,985,163	-	19,985,163
Surplus on investment	-	-	-	9,104,773	9,104,773
Balance as at June 30, 2017	<u>50,000,000</u>	<u>51,000,000</u>	<u>23,263,128</u>	<u>9,104,773</u>	<u>133,367,901</u>

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



 Director




 Director

NAEL CAPITAL (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	2017 (Rupees)	2016 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	22,362,674	(3,041,973)
<u>Adjustment for non-cash items</u>		
Depreciation	1,485,681	1,631,755
Amortization	31,983	-
Capital gain - Investment available for sale	(18,791,489)	48,272
Dividend income	(533,312)	(1,301,863)
Capital gain - Securities held for trading	(122,453)	(2,160)
Loss on disposal of fixed assets	29,653	9,002
Gain on disposal of fixed assets	(3,018)	-
Provision for doubtful debts	500,000	-
Bad debts	-	176
Operating profit before working capital changes	(17,402,955)	385,182
<u>Changes in working capital</u>		
Decrease / (increase) in trade debts	(666,239)	430,798
Decrease / (increase) in advances, deposits and prepayments	(35,753,553)	536,064
(Decrease) / increase in trade and other payable	4,748,404	(361,501)
	(31,671,389)	605,360
Taxes paid	(4,313,224)	(1,273,833)
Net cash (used in)/generated from operating activities	(31,024,894)	(3,325,264)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(355,613)	(309,793)
Proceeds from sale of property plant and equipment	44,085	-
Acquisition of computer software	(290,755)	-
Acquisition of short term investments - net of sales	(966,370)	(28,713,188)
Proceeds from sale of long term investments	62,835,772	27,759,825
Long-term deposits	(20,488,004)	-
Net cash (used in)/generated from investing activities	40,779,115	(1,263,156)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend received	533,312	1,301,863
Advance against equity	-	(2,130,007)
lease rental paid	(1,557,424)	(1,170,913)
Net cash (used in)/generated from financing activities	(1,024,112)	(1,999,057)
Net increase in cash and cash equivalent	8,730,112	(6,587,476)
Cash and cash equivalent at beginning of the year	11,660,001	18,247,477
Cash and cash equivalent at end of the year	<u>20,390,113</u>	<u>11,660,001</u>

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



 Director



 Director

NEAL CAPITAL (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1 Legal Status and Nature of Business

The company was incorporated as a private limited company in Pakistan on May 13, 2008 under the Companies Ordinance, 1984 as a private limited company. The registered office of the company is situated at Pakistan Stock Exchange I.I Chandigarh Road Karachi. The principal activity of the company is to carry on the business of share brokerage, underwriting and advisory to its various clients.

2 Basis of Preparation

2.1 Statement of Compliance

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 17 of 2017 dated July 20, 2017 communicated Commission's decision that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention unless otherwise specifically specified.

2.3 Functional and Presentation Currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Company.

2.4 Critical Accounting Estimates and Judgments

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

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

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, value of intangibles and provision for doubtful receivables.



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

Effective for periods beginning on or after

2.5 Changes in accounting standards, interpretations and pronouncements

2.5.1 New and Amended Standards and interpretations

The adoption of the new and amended standards, amendments / improvements and interpretations did not have any material effect on these financial statements.

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2.5.2 Standards, Interpretation and Amendments to approved accounting standards that are not yet effective

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

	Description effective for periods	Effective for periods beginning on or after
IFRS 2	Share-based Payment - Amendments relating to classification and measurement of Share-based Payment Transactions	January 01, 2018
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or contribution of Assets between an investor and its Associate or Joint Venture	Not yet finalized
IAS 7	Statement of Cash Flows - Amendments relating to Disclosure Initiative	January 01, 2017
IAS 12	Income Taxes - Amendments relating to recognition of Deferred Tax Assets for unrealized losses	January 01, 2017
IFRS 4	Insurance Contract: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)	January 01, 2018
IAS 40	Investment Property: Transfer of Investment Property (Amendments)	January 01, 2018
IFRIC 22	Foreign Currency Transaction and Advance Consideration	January 01, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 01, 2019
IFRS 16	Leases	January 01, 2019

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

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2017. The Company expects that such improvements to the standards will not have material effect on the Company's financial statements in the period of initial application.



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

Description effective for periods		Effective for periods beginning on or after
IFRS 9	Financial Instruments	January 01, 2018
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2018
IFRS 16	Leases	January 01, 2019
IFRS 17	Insurance Contract	January 01, 2021

3 Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented.

3.1 Taxation

Income tax expense comprises of current, and prior year. 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.

3.1.1 Current

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

3.1.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax base and carrying amount of assets and liabilities for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carried forward unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carried forward unused tax losses can be utilized. Carrying amount of all deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

However the company is subject to taxation from next year that is based on transaction volume. As the tax is not levied on the basis of profits therefore deferred tax liability/asset is not recognized.

3.2 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition

of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. Cost incurred to replace a component of an item of property and equipment is capitalized, the asset so replaced is retired from use and its carrying amount is derecognized. Normal repairs and maintenance are charged to the profit and loss account in the period in which they are incurred.

Depreciation on all property and equipment is charged to the profit and loss account using straight line method over the asset's useful life at the rates stated Note no. 4. The depreciation on property and equipment is charged full in the month of acquisition and no depreciation is charged in the month of disposal. Gains or losses on disposal of an item of property and equipment are recognized in the profit and loss account. The assets' residual value and useful life are reviewed at each financial year end, and adjusted if appropriate.

3.3 Intangible Assets

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged using the straight line method over assets estimated useful life at the rates stated therein, after taking into account residual value, if any. The residual values, useful lives and amortization methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Amortization on additions is charged from the month the assets are put to use while no amortization is charged in the month in which the assets are disposed off. Gain and losses on disposal of such assets, if any, are included in the profit and loss account.

3.4 Impairment

3.4.1 Financial Assets

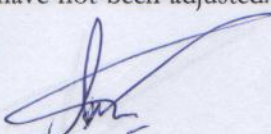
A financial asset, other than that carried at fair value through profit or loss, is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred and that the loss event has a negative effect on the estimated future cash flows of that asset.

In case of investment in equity securities classified as available for sale and measured at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss measured as a difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized, is transferred from other comprehensive income to profit and loss account. Such impairment losses are not subsequently reversed through the profit and loss account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the profit and loss account.

3.4.2 Non-Financial Assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in the profit and loss account. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a pre tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flow have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest

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levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is reversed if there is a change in the estimates 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 or amortization, if no impairment loss had been recognised previously. Reversal of an impairment loss is recognised immediately in profit and loss account.

3.5 Financial Instruments

3.5.1 Financial Assets

The Company classifies its financial assets at initial recognition in the following categories depending on the nature and purpose for which the financial assets were acquired:

At fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those having maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits, interest accrued, other receivables, cash and bank balances.

Held to maturity

These are financial assets with fixed or determinable payment and fixed maturity which the Company has positive intent and ability to hold to the maturity.

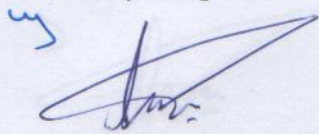
Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity.

At each balance sheet date, these investments are re-measured at fair value and the resulting gains or losses are recognized directly in equity until the investment is disposed off or impaired at which time these are transferred to the profit and loss account.

Where active market of the quoted investment exists, fair value of quoted investments is determined using quotations of Pakistan Stock Exchange. The investments, for which a quoted market price is not available, are measured at cost, unless fair value can be reliably measured. Such fair value estimates are subjective in nature, and therefore, cannot be determined with precision.

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of investments are recognised and derecognised on trade date (the date on which the Company commits to purchase or sell the asset). Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account.



Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method.

The Company assesses at each reporting date whether there is objective evidence that any investment is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit and loss account as a reclassification adjustment. Impairment losses recognised in the profit and loss account on equity instruments classified as available-for-sale are not reversed through the profit and loss account.

3.5.2 Financial Liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

3.6 Trade and Other Receivables

Trade and other receivables are carried at cost, which is the fair value of the consideration to be received, less provision for doubtful debts, if any. Trade debts and other receivable considered irrecoverable are written off.

3.7 Trade and Other Payables

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.

3.8 Provisions

Provisions are recognized when the Company has present obligation (legal or constructive obligation) as a result of a past event, 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. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate

The amount recognized as provision is the best estimate of consideration required to settle the present obligation at the end of reporting period, taking into account the risk and uncertainties surrounding the obligation.

3.9 Revenue Recognition

- Brokerage income is recognized as and when transaction is executed.
- Mark-up income, return on bank deposits and balances are recognized on accrual basis.



NAEL CAPITAL (PRIVATE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

- Dividend income is recorded when the right to receive the dividend is established.

3.12 Cash and Cash Equivalents

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

3.13 Related Party Transactions

Transactions in relation to sales purchase and services with related parties are made at arm's length price which is determined in accordance with the comparable uncontrolled price method. The related parties comprise of entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors and key management employees.

[Handwritten signature]

	2017 (Rupees)	2016 (Rupees)
Booth at Pakistan Stock Exchange	1,200,000	1,100,000
Trading Right Participants Certificate (TRBC)	15,852,340	15,852,340
Computer Software	259,772	-
Software Veeva XE	-	1,000
	17,312,112	16,953,340

5.1 The above TRBC acquired on surrender of Stock Exchange membership Card. According to the Stock Exchange (Corporation, Demutualisation and Integration) Act 2012, the TRBC Certificate may only be exercised once the company intending to carry out share brokerage business in the market is licensed.

5.2 Computer Software

Opening	1,000	1,000
Additions (Software License)	200,755	-
Amortisation during the year	(31,983)	-
Closing	268,772	1,000

6. INVESTMENT - AVAILABLE FOR SALE

Investment in shares of Pakistan Stock Exchange	6.2	41,163,833	30,147,660
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6.1 The investment 1,602,953 (2016: 4,007,383) shares of Pakistan Stock Exchange acquired in pursuance of Corporation, Demutualisation and Integration Act, 2012. As per agreement each member received 4,007,373 shares. Out of 4,007,373 shares the company already sold 2,404,430 shares to Chinese investors and in open Market.

6.2 Allocated cost of investment	32,050,000	20,147,660
Unrealised gain for the year - OCI	9,108,773	-
Market value at 30 June 2017 (Allocated cost as at 2016)	41,163,833	20,147,660

NAEL CAPITAL (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

4. PROPERTY AND EQUIPMENT

Particulars	Cost				Rate %	Depreciation				WDV As at June 30, 2017
	As at July 01, 2016	Additions	Disposals/ Write off	As at June 30, 2017		As at July 01, 2016	For the Year	Disposals/ Write off	As at June 30, 2017	
	-----Rupees-----					-----Rupees-----				
Generator	1,048,330	-	-	1,048,330	10%	769,680	139,326	-	909,006	139,324
Office Equipments	1,404,562	7,000	(10,000)	1,401,562	10%	1,006,470	191,144	(7,731)	1,189,883	211,680
Furniture & Fixtures	210,692	-	(7,400)	203,292	10%	134,266	26,860	(987)	160,139	43,153
Computers	2,759,440	222,313	(49,000)	2,932,753	33%	2,592,276	97,510	(24,228)	2,665,558	267,195
Vehicle	397,098	126,300	(75,000)	448,398	20%	82,169	84,641	(37,734)	129,076	319,322
Leased Cars	7,931,000	-	-	7,931,000	20%	1,025,050	946,200	-	1,971,250	5,959,750
June 30, 2017	13,751,122	355,613	(141,400)	13,965,335		5,609,911	1,485,680	(70,680)	7,024,911	6,940,425
June 30, 2016	13,463,329	287,793	-	13,751,122		3,991,154	1,618,757	-	5,609,911	8,141,211

5. INTANGIBLE ASSETS

Booth at Pakistan Stock Exchange
 Trading Right Entitlement Certificate (TREC)
 Computer Software
 Software Vision XS

5.1
5.2

2017
(Rupees)

2016
(Rupees)

1,100,000	1,100,000
15,852,340	15,852,340
259,772	-
-	1,000
17,212,112	16,953,340

5.1 This represents TREC acquired on surrender of Stock Exchange membership Card. According to the Stock Exchanges (Corporatisation, Demutualization and Integration) Act 2012, the TRE Certificate may only be transferred once the company intending to carry out shares brokerage business in the manner to be prescribed.

5.2 Computer Software

Opening
 Additions (Software License)
 Amortization during the year
 Closing

1,000	1,000
290,755	-
(31,983)	-
259,772	1,000

6. INVESTMENT - AVAILABLE FOR SALE

Investment in shares of Pakistan Stock Exchange

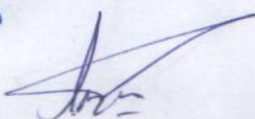
6.2

41,163,833	80,147,660
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6.1 This represent 1,602,953 (2016: 4,007,383) shares of Pakistan Stock Exchange acquired in pursuance of Corporatisation, Demutualization and Integration Act, 2012. As per agreement each member received 4,007,373 shares. Out of 4,007,373 shares the company already sold 2,404,430 shares to Chinese investors and in open Market.

6.2 Allocated cost of
 unrealised gain for the year - OCI
 Market value as at 30 June 2017 (Allocated cost as at 2016)

32,059,064	80,147,660
9,104,773	-
41,163,837	80,147,660



	2017 (Rupees)	2016 (Rupees)
7. LONG-TERM DEPOSITS		
Deposit in National Clearing Company	200,000	200,000
Central Depository Commission	100,000	100,000
Others	2,000	2,000
Security deposit- car lease	1,918,800	1,918,800
	<u>2,220,800</u>	<u>2,220,800</u>

8. TRADE DEBTS		
Trade debts		
Provision for doubtful debts	6,187,045	5,520,806
	(500,000)	-
	<u>5,687,045</u>	<u>5,520,806</u>
8.1 Age analysis of trade debts		
More than 5 days		
Less than 5 days	4,175,613	
	2,011,433	
	<u>6,187,046</u>	

8.1.1 As required by sub clause h (i) of Securities Broker (licencing and operations) Regulations 2016 an amount of Rs. 3,742,964 is the amount of which no securities are available. However majority amount were related to Commission and majority amount was already cleared subsequent to year end.

9. SHORT TERM INVESTMENT - FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT

Investment in quoted securities	9.1	6,040,390	907,250
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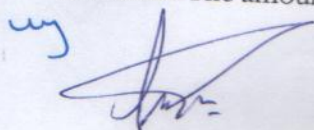
9.1 Company

	No. of Shares	MV/Share	Market Value
Fauji Fertilizer Bin Qasim Limited	25,000	42.84	1,071,000
Dost Steels Limited	200,000	11.02	2,204,000
Cherat Cement Company Limited	500	178.78	89,390
Power Cement Limited	200,000	13.38	2,676,000
Sui Northern Gas Pipelines Limited	25,000	36.29	-
			907,250
			<u>6,040,390</u>
			<u>907,250</u>

10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposit in Pakistan Stock Exchange - Ready Market		23,455,930	10,000,000
Deposit in Pakistan Stock Exchange - Future Market		1,000,000	400,000
Pakistan Stock Exchange receivable		21,999,100	-
Tax refundable		4,061,038	4,061,038
Advance tax - net		3,841,125	-
Pakistan Stock Exchange base minimum capital deposit		15,999,736	-
Pakistan Stock Exchange receivable		4,488,268	-
Other receivables	10.1	-	190,152
Prepaid takaful expense		61,738	173,064
		<u>74,906,935</u>	<u>14,824,254</u>

10.1 This amount represents amount retained by PSX from sale proceeds of PSX Shares to Chinese investors. The amount will be retained for the period of one year.



	2017 (Rupees)	2016 (Rupees)
11. CASH AND BANK BALANCES		
Cash in hand	13,350	8,620
Cash at bank - Current	20,124,860	11,405,293
Saving	251,903	246,090
	<u>20,390,113</u>	<u>11,660,003</u>

12. SHARE CAPITAL

12.1 Authorized Share Capital

	2017	2016		2017	2016
	Number of Shares				
	<u>30,000,000</u>	<u>30,000,000</u>	ordinary shares of	<u>300,000,000</u>	<u>300,000,000</u>
			Rs. 10 each		

12.2 Issued, Subscribed and Paid-up Capital

	<u>5,000,000</u>	<u>5,000,000</u>	ordinary shares of	<u>50,000,000</u>	<u>50,000,000</u>
			Rs. 10 each fully paid		
			in cash		

12.3 PATTERN OF SHAREHOLDING

	Number of Shares	Holding Percentage
1. Mr. Ashraf Bava (Director)	3,989,060	79.78%
2. Mr. Irshad ul Haq (Director)	5,000	0.10%
3. Mr. Nasir Muqet (Director)	122,277	2.45%
4. Mr. Muhammad Shakeel	883,663	17.67%
	<u>5,000,000</u>	<u>100.00%</u>

13. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2017		2016	
	Minimum Lease payments	Present Value	Minimum Lease payments	Present Value
(In Rupees).....			
Within one year	1,819,776	1,565,910	1,949,874	1,557,425
After one year but not more than five years	3,738,576	3,636,751	5,558,352	5,202,661
Later than five years	-	-	-	-
Total minimum lease payments	<u>5,558,352</u>	<u>5,202,661</u>	<u>7,508,226</u>	<u>6,760,086</u>
Less: Amount representing finance charges	<u>(355,691)</u>	-	<u>(748,139)</u>	-
Present value of minimum lease payments	<u>5,202,661</u>	<u>5,202,661</u>	<u>6,760,087</u>	<u>6,760,086</u>
Less: Current portion	<u>1,565,910</u>	<u>1,565,910</u>	<u>1,557,425</u>	<u>1,557,425</u>
	<u>3,636,751</u>	<u>3,636,751</u>	<u>5,202,661</u>	<u>5,202,661</u>



		2017 (Rupees)	2016 (Rupees)
14. TRADE AND OTHER PAYABLE			
Credit balances of clients	14.1.	14,736,093	9,298,826
Sales Tax Payable		124,790	198,319
Provident fund payable		259,745	873,950
Audit Fee Payable		182,000	150,000
Advance from Employees		69,355	49,866
Accrued Expenses		146,971	152,950
Interest payable on Finance Lease		37,143	83,783
		<u>15,556,097</u>	<u>10,807,694</u>
14.1 Credit balances of clients held by the company		<u>14,736,093</u>	
Value of Securities of client held by the company		<u>309,798,852</u>	
Number of Securities of client held by the company		<u>11,435,286</u>	
14.2 No Securities of clients is pledged with Financial Institution.			
14.3 No Securities of the company is pledged with Financial Institution.			
15. CONTINGENCIES AND COMMITMENTS			
15.1. There were no contingencies and commitments as at June 30, 2017.			
16. OPERATING REVENUE			
Brokerage income	16.1	<u>23,770,214</u>	<u>15,535,952</u>
16.1 Brokerage Income- gross		<u>26,860,342</u>	<u>17,710,986</u>
Sales tax		<u>(3,090,128)</u>	<u>(2,175,033)</u>
		<u>23,770,214</u>	<u>15,535,953</u>

	Turnover of Shares trade	Value traded	Commission
Institutional customers	217,778,036	17,329,392,532	19,434,748
Proprietary trade	969,500	58,572,004	-
Retail customers	81,298,890	2,458,055,207	4,158,256
	<u>300,046,426</u>	<u>19,846,019,743</u>	<u>23,593,004</u>
Other charges			177,210
Brokerage income			<u>23,770,214</u>

my 

	2017 (Rupees)	2016 (Rupees)
17. OPERATING AND OTHER EXPENSES		
Salaries and allowances	13,331,741	12,437,702
Communication	706,555	960,128
Printing, stationary & periodicals	113,694	92,302
Utilities	424,660	485,872
Repair and maintenance	335,963	239,829
Insurance Expense	185,412	215,532
Bad Debts Expense	-	176
Loss on Disposal	29,653	-
Markup on assets subject to finance lease	392,456	508,801
Rent, rates and taxes	1,224,000	1,224,000
PSX charges	1,920,186	1,586,781
CDC charges	16,598	33,303
SECP charges	180,818	133,516
Travelling & conveyance	95,485	72,971
Entertainment	256,517	288,881
Amortization	31,983	-
Fees & subscription	79,500	83,270
Auditor's remuneration	214,800	144,000
Depreciation	1,485,681	1,631,755
Bank charges	16,593	17,150
Miscellaneous	57,153	53,544
	21,099,448	20,209,513

18. OTHER INCOME

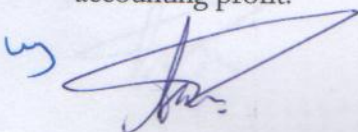
Gain on securities Held for Trading	122,453	(46,112)
Capital Gain - Investment available for sale	18,791,489	-
Return on Deposit in PSX - Ready Market	584,421	540,477
Return on Bank Deposits	6,458	11,361
Gain on Disposal	3,018	-
Other income	150,757	-
Dividend Income	533,312	1,301,863
	20,191,908	1,807,589

19. TAXATION

The Company has filed return for the tax year 2016. According to Income Tax Ordinance 2001, the return filed is deemed to be an assessment order unless modified by Commissioner of Income Tax.

Provision for taxation		
- Current year	(307,366)	(318,092)
- Prior year	(164,733)	-
- Deferred	(1,905,412)	1,955,701
Net tax charge	(2,377,511)	1,637,609

19.1 No deferred tax asset/liability is recorded as the future taxation of the company is not levied on accounting profit.



20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk and market risk. The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. Pakistan Stock Exchange (PSX) and Securities and Exchange Commission of Pakistan (SECP) has regulated the company and management policies of both PSX and SECP have been adopted by the Company.

20.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. As per SECP regulations the company can not provide credit for purchase of shares therefore the company believes that it is not exposed to major concentration of credit risk and applies credit limits and deal with credit worthy parties.

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

	Carrying amount (Rupees)	
Long term deposits	2,220,800	2,220,800
Trade debts	5,687,045	5,520,806
Investment - Available for sale	41,163,833	80,147,660
Advances, deposits, prepayments and other receivables	74,906,935	14,824,254
Short term investment	6,040,390	907,250
Cash and bank balances	20,390,113	11,660,003
	150,409,116	115,280,773

20.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. Company finances its operations through equity only.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	2017			
	Carrying amount	Contractual cash flows	Up to one year	More than one year

Financial Liabilities

Trade and other payable	15,556,097	15,556,097	15,556,097	-
Liabilities against assets subject to	5,202,661	5,202,661	1,565,910	3,636,751

	2016			
	Carrying amount	Contractual cash flows	Up to one year	More than one year

Financial Liabilities

Trade and other payable	10,807,694	10,807,694	10,807,694	-
	6,760,087	6,760,087	1,557,425	5,202,661



20.3 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity prices. Market risks comprises of three types of risks: Foreign exchange or currency risks, Interest/Mark-up rate risks and Price risks.

a) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices. The company has equity investment of Rs. 47 million which is significant, therefore, the company is exposed to price risk.

b) Interest rate risk

The company is not exposed to any interest rate risk as the company does not have any interest based assets and liabilities.

20.4 Capital risk management

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

The company manages its capital structure which comprises capital and reserves by monitoring return on net assets and make adjustments to it in the light of economic conditions. There were no changes to company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

20.5 Fair value

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

21. TRANSACTION WITH RELATED PARTIES

Related parties comprises of Parent Company, associates company and other companies with common director, directors and key management personnel

Detail of transaction with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows.

	2017 (Rupees)	2016 (Rupees)
Brokerage income earned from Directors	937,114	33,672
Rent paid to Directors	1,200,000	1,200,000
Remuneration to Chief Executive Officer	2,202,000	1,800,000
Remuneration of Directors	3,372,000	4,884,000
Advance against issue of shares from directors	20,434,993	20,434,993
	<u>28,146,107</u>	<u>28,352,665</u>

NUMBER OF EMPLOYEES

	2017 (Number of employees)	2016 (Number of employees)
Total number of employees at June 30	<u>10</u>	<u>10</u>

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22. **DATE OF AUTHORIZATION**

These financial statements have been authorized for issue on 03 OCT 2017 by the Board of Directors of the company.

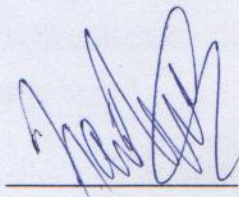
23. **GENERAL**

Figures have been rearranged and reclassified wherever necessary, for the purpose of comparison and have been rounded off to the nearest Rupee.

y



Director



Director