



GENEVA GROUP INTERNATIONAL
SWITZERLAND

MUDASSAR EHTISHAM & CO.
Chartered Accountants

Independent Member Of Geneva Group International
(Switzerland)

AUDITORS' REPORT TO THE MEMBERS

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

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

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

- a. In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b. In our opinion:
 - I. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - II. the expenditure incurred during the year was for the purpose of the Company's business; and
 - III. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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 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, 2016 and of the Profit; its cash flows and changes in equity for the year then ended; and
- d. in our opinion, no Zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Mudassar Ehtisham & Co.
Chartered Accountants
Engagement Partner: Muhammad Ehtisham

Lahore
September 06, 2016

FAIR EDGE SECURITIES (PRIVATE) LIMITED

Balance Sheet

As at June 30, 2016

	Note	2016 Rupees	2015 Rupees
Non-Current Assets			
Fixed assets			
Property and equipment	4	399,892	425,380
Intangible asset	5	4,000,000	4,000,000
		4,399,892	4,425,380
Long term investment	6	30,346,030	30,346,030
Long term deposits	7	400,000	400,000
		30,746,030	30,746,030
Current Assets			
Account receivables	8	3,029,863	10,131,713
Short term investment	9	2,231,030	-
Advances, deposits & pre-payments	10	1,672,738	123,422
Cash and bank balances	11	4,543,995	5,104,641
		11,477,626	15,359,776
		46,623,548	50,531,186
Equity and Liabilities			
Authorized			
500,000 (2015: 500,000) ordinary shares of rupees 10/- each	12	5,000,000	5,000,000
Issued, subscribed and paid up			
500,000 (2015: 500,000) ordinary shares of rupees 10/- each fully paid in cash	13	5,000,000	5,000,000
Unappropriated profit / (loss)		37,111,131	35,945,321
		42,111,131	40,945,321
Non-Current Liabilities			
Deferred tax liability	14	-	280,107
Current Liabilities			
Account payables	15	3,765,175	9,055,536
Loan from director		200,000	-
Other payables	16	190,570	213,855
Provision for taxation	17	356,672	36,367
		4,512,417	9,305,758
Contingencies and commitments	18	-	-
		46,623,548	50,531,186

The annexed notes form 1 to 28 an integral part of these financial statements.

CHIEF EXECUTIVE



DIRECTOR

FAIR EDGE SECURITIES (PRIVATE) LIMITED

Profit and Loss Account

For the Year ended 30 June, 2016

	Note	2016 Rupees	2015 Rupees
Revenue			
Income from brokerage	19	3,334,031	3,636,722
Un-realized gain / (loss) on investment	9	(997,250)	-
Gross profit/ (loss)		<u>2,336,781</u>	<u>3,636,722</u>
Operating and administrative expenses	20	(3,650,990)	(4,661,510)
Operating profit /(loss)		<u>(1,314,209)</u>	<u>(1,024,789)</u>
Financial charges	21	(3,523)	(2,802)
Other income / (loss)	22	2,560,106	-
Profit / (loss) before taxation		<u>1,242,375</u>	<u>(1,027,591)</u>
Taxation	17	(76,565)	280,721
Profit / (loss) after taxation		<u>1,165,810</u>	<u>(746,870)</u>

The annexed notes form 1 to 28 an integral part of these financial statements.


CHIEF EXECUTIVE




DIRECTOR

FAIR EDGE SECURITIES (PRIVATE) LIMITED

Cash Flow Statement

For the Year Ended 30 June, 2016

	Note	2016 Rupees	2015 Rupees
Cash flows from operating activities			
Profit / (loss) before taxation		1,242,375	(1,027,591)
Adjustments for non cash items:			
Depreciation		61,689	60,424
Un-realized gain / (loss) on investment		997,250	
Financial charges		3,523	2,802
		1,062,462	63,226
Operating profit before working capital changes		2,304,836	(964,365)
Changes in operating assets and liabilities			
(Increase)/decrease in current assets			
Accounts receivable		7,101,850	5,441,844
Advances, deposits & pre-payments		(1,549,316)	(10,000)
Short term investment		(3,228,280)	-
Increase/(decrease) in current liabilities			
Account payable		(5,290,361)	(2,784,652)
Other payable		(23,285)	-
		(2,989,393)	2,647,192
		(2,989,393)	2,647,192
Cash utilized in operations		(684,556)	1,682,827
Financial charges paid		(3,523)	(2,802)
Income tax paid		(36,367)	(4,704)
		(39,890)	(7,506)
Net cash used in operating activities		(724,446)	1,675,321
Cash flows from investing activities			
Fixed capital expenditure		(36,201)	(98,799)
Net cash used in investing activities		(36,201)	(98,799)
Cash flows from financing activities			
Loan from directors		200,000	-
Net cash generated from financing activities		200,000	-
Net (decrease)/increase in cash and cash equivalents		(560,647)	1,576,522
Cash and cash equivalents at the beginning of the year		5,104,641	3,528,119
Cash and cash equivalents at the end of the year	11	4,543,995	5,104,641

The annexed notes form 1 to 28 an integral part of these financial statements.

CHIEF EXECUTIVE



DIRECTOR

FAIR EDGE SECURITIES (PRIVATE) LIMITED

Statement of Changes in Equity

For the Year ended 30 June, 2016


	Share capital Rupees	Share premium Rupees	Capital reserve Rupees	Unappropriated profit/(Loss) Rupees	Total Rupees
Balance as at 01 July 2014	5,000,000	-	-	36,692,190	41,692,190
Net profit / (loss) for the year ended 30 June 2015	-	-	-	(746,870)	(746,870)
Balance as at 30 June 2015	5,000,000	-	-	35,945,321	40,945,321
Balance as at 01 July 2015	5,000,000	-	-	35,945,321	40,945,320
Net profit / (loss) for the year ended 30 June, 2016	-	-	-	1,165,810	1,165,810
Balance as at 30 June, 2016	5,000,000	-	-	37,111,131	42,111,130

The annexed notes form 1 to 28 an integral part of these financial statements.

Lahore


Chief Executive




Director

FAIR EDGE SECURITIES (PRIVATE) LIMITED

Notes to the Financial Statements

For the Year ended 30 June, 2016

1 The Company's operations and registered office

FAIR EDGE SECURITIES (PRIVATE) LIMITED was incorporated on April 05, 2002 under the Companies Ordinance 1984 as a Private Limited company at Islamabad and is primarily engaged in the business of stocks, brokerage, investment advisory consultancy, portfolio management and in secondary capital market operations. It is also actively taking part in the initial public offerings (IPO's) and providing all relative services to the general public to promote investment and company does not hold assets in fiduciary capacity. Company head office is situated at Stock Exchange Building Islamabad.

2 Statement of compliance

These accounts have been prepared in accordance with the approved International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC) and interpretations issued by the Standards Interpretations Committee of the IASC, as applicable in Pakistan. Approved Accounting Standards comprise of Accounting and Financial Reporting Standard for Medium-Sized Entities (MSEs) issued by The Institute of Chartered Accountants of Pakistan and the requirements of the Companies Ordinance, 1984, along with the requirements of the Securities and Exchange Commission of Pakistan (SECP). Wherever, the requirements of the Companies Ordinance, 1984, the Rules, the Regulations or the directives issued by the SECP differ with the requirements of these IAS, the requirements of the Ordinance, the Rules, the Regulations or the requirements of the said directives take precedence.

3 Significant accounting policies

3.1 Accounting Convention

The financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at their fair value or amortized cost as applicable.

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

3.2 Property and equipment

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except freehold land and capital work in progress are stated at cost.

Depreciation is calculated using the reducing balance method, at the rates specified in the fixed assets schedule, which are considered appropriate to write off the cost of the assets over their estimated useful lives. The depreciation on property and equipment is charged on monthly basis.

3.3 Intangible assets

This is stated at cost less impairment losses, if any. The carrying amounts are reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amounts, and where carrying value is in excess of recoverable amount, these are written down to their estimated recoverable amount.

3.4 Long Term Deposits and Loans

Long term deposits and loans are stated at cost.

3.5 Loans and Receivables

These are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are de-recognised or impaired as well as through the amortization process.

3.6 Taxation

Current

The charge for current taxation is based on taxable income at current rate of taxation of the Income Tax Ordinance, 2001 after taking into account applicable tax credits and rebates, if any. On Income subject to Normal Taxation and no presumptive basis on Income subject to Final Taxation.

Deffered Taxation

The company accounts for deffered taxation, using the liability method on all temporary timing differences. However, deffered tax is no provided if it can be established with reasonable accuracy that these differences will not reserve in the foreseeable future.


3.7 Trade and settlement date accounting

All " regular way" purchases and sales of listed securities are recognized on the trade date, i.e. the date that the Company commits to purchase/ sell the asset. Regular way purchase or sale of financial assets are those, the contract for which requires delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

3.8 Securities under repurchase/reverse repurchase agreements

Transactions of repurchase/ reverse repurchase of investment securities are entered into at contracted rate for specified periods of time and are accounted for as follows.

3.9 Revenue recognition

- a) Brokerage, advisory fees, commission and other income are accrued as and when due.
 - b) Dividend income on equity investments is recognized, when the right to receive the same is established.
 - c) Gains or losses on sale of investments are recognized in the period in which they arise.
 - d) Underwriting commission is recognized when the agreement is executed. Take-up commission is recognized at the time commitment is fulfilled.
 - e) Consultancy, advisory fee and service charges are recognized as and when earned.
 - f) Unrealized capital gains/(losses) arising from marking to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in profit and loss account in the period in which they arise.
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3.10 Return on financing and borrowings

Return on financing and borrowings is recognized on a time proportionate basis taking into account the relevant issue date and final maturity date.

3.11 Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.12 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, balance with banks on current and deposit accounts and short term running finance account.

3.13 Contingencies and Commitments

Capital commitments and Contingences, unless those are actual liabilities, are not incorporated in the accounts.

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4 Property and Equipment

4.1 Tangible

PARTICULARS	COST				DEPRECIATION				Book value as at June 2016	Depreciation rate %
	As at 01 July 2015	Additions during the year	Deletions during the year	As at June 2016	As at 01 July 2015	For the year	Deletions	As at June 2016		
OWNED										
Computers	186,029	36,201	-	222,230	144,576	23,296	-	167,872	54,358	30
Office equipments	139,515	-	-	139,515	90,023	4,949	-	94,972	44,543	10
Furniture and fixture	946,375	-	-	946,375	611,940	33,444	-	645,384	300,992	10
30 June, 2016	1,271,919	36,201	-	1,308,120	846,539	61,689	-	908,228	399,892	
30 June, 2015	1,173,120	98,799	-	1,271,919	786,115	60,424	-	846,539	425,380	

FAIR EDGE SECURITIES (PRIVATE)

	Note	2016 Rupees	2015 Rupees
5 Intangible asset			
Membership card value (TREC)		4,000,000	4,000,000
		<u>4,000,000</u>	<u>4,000,000</u>
6 Long term investments			
Islamabad stock exchanges tower rite management company limited - Unquoted		3,034,603	3,034,603
Price		10	10
	6.1	<u>30,346,030</u>	<u>30,346,030</u>
6.1	These represent the shares received from Islamabad Stock Exchange Towers Reit Management company limited (ISETRMCL) in pursuance of corporatization and demutualization of ISETRMCL as public company limited by shares in accordance with the requirement of the Stock Exchanges (Coproratisation, Demutualization and Integration Act, 2012 (the Act.)). In addition, the company has also received Trading Right Entitlement Certificate (TREC) from PSX.		
6.2	Accordingly, the company has been allotted 3,034,603 shares of ISE of Rs. 10/- each based on the valuation of their assets and liabilities as approved by the SECP. The company has received 40% equity shares i.e. 1,213,841 shares of ISETRMCL. The remaining 60% shares are transferred to CDC sub-account in company's name under ISE's participant IDs with the CDC which will remain blocked until these are divested to strategic investor's), general public and financial institutions.. As the fair value of both the asset transfer and assets obtain can not be determined with reasonable accuracy, the investment in shares has been recorded at the face value of Rs. 10/- each in the Company's book.		
6.3	No tax provision has been made on Gain on exchange of membership card with TREC, as such gain is exempted from tax under clause 110B of Second Schedule of Income Tax Ordinance , 2001.		
7 Long term deposits			
CDC deposits		100,000	100,000
NCSS deposits		100,000	200,000
PSX deposit		200,000	100,000
		<u>400,000</u>	<u>400,000</u>
8 Account receivables			
Account receivables		3,029,863	10,131,713
		<u>3,029,863</u>	<u>10,131,713</u>
9 Short term investment			
Cost of investment in listed securities		3,228,280	-
Un-realized gain/(loss) on investment		(997,250)	-
		<u>2,231,030</u>	<u>-</u>

		FAIR EDGE SECURITIES (PRIVATE)	
		2016	2015
		Rupees	Rupees
	Note		
10	Advances, deposits and prepayments		
	Other receivables	1,317,612	106,459
	Advance to employs	105,000	10,000
	Advance income tax	250,127	6,963
		<u>1,672,738</u>	<u>123,422</u>
11	Cash and bank balances		
	Cash in hand	182,613	2,087,991
	Cash at banks		
	In saving/ profit accounts	-	-
	In current accounts	4,361,381	3,016,650
		<u>4,361,381</u>	<u>3,016,650</u>
		<u>4,543,995</u>	<u>5,104,641</u>
12	Share capital		
	Authorized		
	500,000 (2015: 500,000) ordinary shares of rupees 10/- each	5,000,000	5,000,000
		<u>5,000,000</u>	<u>5,000,000</u>
13	Issued, subscribed and paid up		
	500,000 (2015: 500,000) ordinary shares of rupees 10/- each fully paid in cash	5,000,000	5,000,000
		<u>5,000,000</u>	<u>5,000,000</u>
14	Deffered tax liability		
	Credit balance arising on difference between accounting and tax depreciation and unused tax loss	-	280,107
		<u>-</u>	<u>280,107</u>
15	Account Payables		
	Creditors	3,765,175	9,055,536
		<u>3,765,175</u>	<u>9,055,536</u>
16	Other payable		
	Other payable	190,570	213,855
		<u>190,570</u>	<u>213,855</u>

FAIR EDGE SECURITIES (PRIVATE)

	Note	2016 Rupees	2015 Rupees
17 Provision for taxation - Net			
Opening Balance		-	12,347
Deffered tax		(280,107)	(317,088)
Current year taxation		356,672 ✓	36,367
		<u>76,565</u>	<u>(268,374)</u>
Less:			
Adjusted against advance tax		(323,332)	(12,347)
		<u>(246,767)</u>	<u>(280,721)</u>
18 Contingencies and commitments			
The Company has pledged/hypothecated TRE Certificate of Pakistan Stock Exchange Limited 'PSX' and 3,034,603 ordinary shares of Islamabad Stock Exchange Towers Reit Management company limited (ISETRMCL) with ISETRMCL in compliance with Base Minimum Capital (BMC) requirement under Regulation 2.1 of the Regulations Governing Risk Management of the PSX.			
19 Income from brokerage			
Commission income - Net		3,334,031	3,636,722
		<u>3,334,031</u>	<u>3,636,722</u>
20 Operating and administrative expenses			
Staff Salaries		857,465	644,755
Director remuneration		320,000	375,000
Purchases		-	851,117
Electricity and gas charges		453,711	481,300
Telephone and telex charges		45,080	41,519
Courier & postage charges		950	2,710
Printing and stationery		11,610	27,307
Entertainment		45,448	98,493
New paper and periodicals		3,952	1,936
Rent, Rate and taxes		708,369	686,399
Traveling & conveyance charges		6,100	4,000
C.D.C charges		90,232	105,247
I.S.E Charges (Laga)		46,384	3,635
PSX Charges		49,972	-
NCCS Charges		75,234	12,803
Fee and subscription		117,525	60,223
Market rate display charges		9,150	15,100
KSE laga charges		559,415	838,111
Audit fee	20.1	143,000	143,000
Repair and maintenance		23,000	29,101
Depreciation	4.1	61,689	60,424
Miscellaneous expenses		22,704	179,330
		<u>3,650,990</u>	<u>4,661,510</u>

		FAIR EDGE SECURITIES (PRIVATE)	
		2016	2015
		Rupees	Rupees
20.1	Audit fee		
	Audit fee	140,000	140,000
	Out of pocket expenses	3,000	3,000
		<u>143,000</u>	<u>143,000</u>
21	Financial charges		
	Bank and other charges	3,523	2,802
		<u>3,523</u>	<u>2,802</u>
22	Other Income / (loss)		
	Dividend income	343,976	-
	Other income	3,000	-
	Capital gain / (loss) on investment	2,213,130	-
		<u>2,560,106</u>	<u>-</u>

23 Taxation

This represent Current Taxation which has been provided Under Section 233A of Income Tax Ordinance, 2001 and Normal Taxation on other Income.

Deferred Taxation has not been provided as the Company is subject to Presumptive Taxation.

24 Remuneration of Chief Executive, Directors and Executives

	2016	2015
<u>Managerial Remuneration including House Rent & Utility</u>		
Chief executive	-	-
Executives	-	-
Directors	320,000	375,000
	<u>320,000</u>	<u>375,000</u>

Managerial remuneration has been paid to director Rs. 320,000 of the company during the year (2015: Rs. 375,000).

25 Accounting Estimates And Judgments

25.1 Property, plant and equipment

The Company reviews the rate of depreciation/useful life, residual values and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the *depreciation charge and impairment*.

25.2 Intangible assets

The Company reviews the rate of amortization and value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of respective items of intangible asset with a corresponding affect on the amortization charge and impairment.

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25.3 Investment stated at fair value

The Company has determined fair value of certain investments by using quotations from active market. Fair value estimates are made at a specific point in time based on market conditions and information about financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgments (e.g. valuation, interest rates, etc.) and therefore cannot be determined with precision.

25.4 Trade debts

The Company reviews its debts portfolio regularly to assess amount of any provision required against such debtors.

26 Number of employees

Total number of employees at the end of year was 2 (2015: 2). Average number of employees was 2 (2015: 2)

27 Authorization

These financial statements have been authorized for issue by the Board of Directors on

28 General

28.1 Figures have been rounded off to the nearest rupee.

28.2 Corresponding figures have been rearranged, wherever necessary for the purposes of comparison.

The annexed notes form 1 to 28 an integral part of these financial statements.

CHIEF EXECUTIVE



DIRECTOR