

# FAIR EDGE SECURITIES (PRIVATE) LIMITED

## Balance Sheet

As at DEC 31, 2016

	Note	31-Dec-16 Un-Audited Rupees	30-Sep-16 Un-Audited Rupees
<b>Non-Current Assets</b>			
Fixed assets			
Property and equipment	4	398,609	388,639
Intangible asset	5	4,000,000	4,000,000
		<b>4,398,609</b>	<b>4,388,639</b>
Long term investment	6	30,346,030	30,346,030
Long term deposits	7	400,000	400,000
		<b>30,746,030</b>	<b>30,746,030</b>
<b>Current Assets</b>			
Account receivables	8	13,801,837	7,014,390
Short term investment	9	2,230,246	2,211,569
Advances, deposits & pre-payments	10	1,172,965	844,045
Cash and bank balances	11	4,939,544	11,916,604
		<b>22,144,592</b>	<b>21,986,608</b>
		<b>57,289,231</b>	<b>57,121,277</b>
<b>Equity and Liabilities</b>			
<b>Authorized</b>	12	<b>5,000,000</b>	<b>5,000,000</b>
500,000 ordinary shares of rupees 10/- each			
<b>Issued, subscribed and paid up</b>	13	5,000,000	5,000,000
500,000 ordinary shares of rupees 10/- each fully paid in cash			
Unappropriated profit / (loss)		38,579,857	37,703,376
		<b>43,579,857</b>	<b>42,703,376</b>
<b>Non-Current Liabilities</b>			
Deferred tax liability	14	-	-
<b>Current Liabilities</b>			
Account payables	15	3,469,257	7,062,303
Loan from director		200,000	200,000
Other payables	16	9,585,531	6,759,443
Provision for taxation	17	454,586	396,155
		<b>13,709,374</b>	<b>14,417,901</b>
<b>Contingencies and commitments</b>	18		-
		<b>57,289,231</b>	<b>57,121,277</b>

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 31 DEC, 2016

	Note	31-Dec-16 Un-Audited Rupees	30-Sep-16 Un-Audited Rupees
<b>Revenue</b>			
Income from brokerage	19	1,511,625	1,163,180
Un-realized gain / (loss) on investment	9	-	-
<b>Gross profit/ (loss)</b>		<b>1,511,625</b>	<b>1,163,180</b>
Operating and administrative expenses	20	(607,114)	(533,815)
<b>Operating profit /(loss)</b>		<b>904,511</b>	<b>629,365</b>
Financial charges	21	-	(1,200)
Other income / (loss)	22	30,402	3,562
<b>Profit / (loss) before taxation</b>		<b>934,913</b>	<b>631,727</b>
Taxation	17	(58,432)	(39,483)
<b>Profit / (loss) after taxation</b>		<b>876,481</b>	<b>592,244</b>

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

CHIEF EXECUTIVE

# FAIR EDGE SECURITIES (PRIVATE) LIMITED

## Cash Flow Statement

For the Year Ended 31 DEC, 2016

	Note	31/Dec/16 Un-Audited Rupees	30/Sep/16 Un-Audited Rupees
<b>Cash flows from operating activities</b>			
Profit / (loss) before taxation		934,913	631,727
<b>Adjustments for non cash items:</b>			
Depreciation		14,030	12,753
Un-realized gain / (loss) on investment		-	-
Financial charges		-	1,200
		<b>14,030</b>	<b>13,953</b>
<b>Operating profit before working capital changes</b>		<b>948,943</b>	<b>645,680</b>
<b>Changes in operating assets and liabilities</b>			
<b>(Increase)/decrease in current assets</b>			
Accounts receivable		(6,787,447)	(3,984,527)
Advances, deposits & pre-payments		(328,920)	828,693
Short term investment		(18,679)	19,461
<b>Increase/(decrease) in current liabilities</b>			
Account payable		(3,593,046)	3,297,128
Other payable		2,826,087	6,568,873
		<b>(7,902,005)</b>	<b>6,729,629</b>
		<b>(7,902,005)</b>	<b>6,729,629</b>
<b>Cash utilized in operations</b>		<b>(6,953,062)</b>	<b>7,375,309</b>
Financial charges paid		-	(1,200)
Income tax paid		-	-
		-	<b>(1,200)</b>
<b>Net cash used in operating activities</b>		<b>(6,953,062)</b>	<b>7,374,109</b>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(24,000)	(1,500)
<b>Net cash used in investing activities</b>		<b>(24,000)</b>	<b>(1,500)</b>
<b>Cash flows from financing activities</b>			
Loan from directors		-	-
<b>Net cash generated from financing activities</b>		-	-
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(6,977,062)</b>	<b>7,372,609</b>
<b>Cash and cash equivalents at the beginning of the year</b>		11,916,605	4,543,995
<b>Cash and cash equivalents at the end of the year</b>	11	<b>4,939,544</b>	<b>11,916,605</b>

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

CHIEF EXECUTIVE

## FAIR EDGE SECURITIES (PRIVATE) LIMITED

### Statement of Changes in Equity

For the Year ended 31 DEC, 2016

	<u>Share capital</u> Rupees	<u>Share premium</u> Rupees	<u>Capital reserve</u> Rupees	<u>Unappropriated profit/ (Loss)</u> Rupees	<u>Total</u> Rupees
<b>Balance as at 01 July 2016</b>	5,000,000	-	-	37,111,132	42,111,132
Net profit / (loss) for the year ended 30 June 2016	-	-	-	592,244	592,244
<b>Balance as at 30 SEP 2016</b>	<b>5,000,000</b>	-	-	<b>37,703,377</b>	<b>42,703,376</b>
Balance as at 01 AUG 2016	5,000,000	-	-	37,703,377	42,703,376
Net profit / (loss) for the year ended 31 DEC, 2016	-	-	-	876,481	876,481
<b>Balance as at 31 DEC, 2016</b>	<b>5,000,000</b>	-	-	<b>38,579,857</b>	<b>43,579,856</b>

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 31 DEC, 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 not provided if it can be established with reasonable accuracy that these differences will not reverse 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.

### **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.

4 Property and Equipment

FAIR EDGE SECURITIES (PRIVATE) LIMITED

4.1 Tangible

PARTICULARS	COST				DEPRECIATION				Book value as at September 2016	Depreciation rate %
	As at 01 July 2016	Additions during the year	Deletions during the year	As at September 2016	As at 01 July 2016	For the year	Deletions	As at September 2016		
<b>OWNED</b>										
Computers	222,230	24,000	-	246,230	171,949	5,571	-	177,520	68,710	30
Office equipments	141,015	-	-	141,015	96,123	1,122	-	97,246	43,769	10
Furniture and fixture	946,375	-	-	946,375	652,908	7,337	-	660,245	286,130	10
<b>31 DEC, 2016</b>	<b>1,309,620</b>	<b>24,000</b>	<b>-</b>	<b>1,333,620</b>	<b>920,981</b>	<b>14,030</b>	<b>-</b>	<b>935,011</b>	<b>398,609</b>	
<b>30 SEP, 2016</b>	<b>1,308,120</b>	<b>1,500</b>	<b>-</b>	<b>1,309,620</b>	<b>908,228</b>	<b>12,753</b>	<b>-</b>	<b>920,981</b>	<b>388,639</b>	

4.2 Intangible

	2016 December	2016 June
Membership card value (TREC)	4,000,000	4,000,000
	<u>4,000,000</u>	<u>4,000,000</u>

Value of TRE Certificate of Pakistan Stock Exchange Limited is Rs. 4 million ( TRE Certificate and 337,590 Shares of LSEFSL Pledged to Pakistan Stock Exchange )



	Note	30-Sep-16 Un-Audited Rupees	30-Sep-16 Un-Audited Rupees
<b>5 Intangible asset</b>			
Membership card value (TREC)		4,000,000	4,000,000
		<b>4,000,000</b>	<b>4,000,000</b>
<b>6 Long term investments</b>			
Islamabad stock exchanges tower rite management company limited - Unquoted		3,034,603	3,034,603
Price		10	10
	<b>6.1</b>	<b>30,346,030</b>	<b>30,346,030</b>
<b>6.1</b>	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 (Coproration, Demutualization and Integration Act, 2012 (the Act.)). In addition, the company has also received Trading Right Entitlement Certificate (TREC) from PSX.		
<b>6.2</b>	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.		
<b>6.3</b>	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.		
<b>7 Long term deposits</b>			
CDC deposits		100,000	100,000
NCSS deposits		100,000	100,000
PSX deposit		200,000	200,000
		<b>400,000</b>	<b>400,000</b>
<b>8 Account receivables</b>			
Account receivables		13,801,837	7,014,390
		<b>13,801,837</b>	<b>7,014,390</b>
<b>9 Short term investment</b>			
Cost of investment in listed securities		2,230,246	2,211,569
Un-realized gain/(loss) on investment		-	-
		<b>2,230,246</b>	<b>2,211,569</b>

	Note	
	30-Sep-16	30-Sep-16
<b>10 Advances, deposits and prepayments</b>		
Other receivables	262,812	262,812
Advance to employs	105,000	105,000
Advance income tax	805,154	476,233
	<u><b>1,172,965</b></u>	<u><b>844,045</b></u>
<b>11 Cash and bank balances</b>		
Cash in hand	174,767	182,573
Cash at banks		
In saving/ profit accounts	-	-
In current accounts	4,764,777	11,734,030
	<u><b>4,764,777</b></u>	<u><b>11,734,030</b></u>
	<u><b>4,939,544</b></u>	<u><b>11,916,604</b></u>
<b>12 Share capital</b>		
<b>Authorized</b>		
500,000 ordinary shares of rupees 10/- each	5,000,000	5,000,000
	<u><b>5,000,000</b></u>	<u><b>5,000,000</b></u>
<b>13 Issued, subscribed and paid up</b>		
500,000 ordinary shares of rupees 10/- each fully paid in cash	5,000,000	5,000,000
	<u><b>5,000,000</b></u>	<u><b>5,000,000</b></u>
<b>14 Deffered tax liability</b>		
Credit balance arising on difference between accounting and tax depreciation and unused tax loss	-	-
	<u><b>-</b></u>	<u><b>-</b></u>
<b>15 Account Payables</b>		
Creditors	3,469,257	7,062,303
	<u><b>3,469,257</b></u>	<u><b>7,062,303</b></u>
<b>16 Other payable</b>		
Other payable	9,585,532	261,062
	<u><b>9,585,532</b></u>	<u><b>261,062</b></u>

	Note	30-Sep-16	30-Sep-16
<b>17 Provision for taxation - Net</b>			
Opening Balance		396,155	356,672
Deffered tax		-	-
Current year taxation		58,432	39,483
		<u>454,587</u>	<u>396,155</u>
Less:			
Adjusted against advance tax			-
		<u><b>454,587</b></u>	<u><b>396,155</b></u>
<b>18 Contingencies and commitments</b>			
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.			
<b>19 Income from brokerage</b>			
Commission income - Net		1,511,625	1,163,180
		<u><b>1,511,625</b></u>	<u><b>1,163,180</b></u>
<b>20 Operating and administrative expenses</b>			
Staff Salaries		185,912	116,000
Director remuneration		50,000	-
Purchases		1,626	2,371
Electricity and gas charges		88,324	167,541
Telephone and telex charges		8,570	10,420
Courier & postage charges		740	120
Printing and stationery		-	-
Entertainment		16,440	12,049
New paper and periodicals		-	1,998
Rent, Rate and taxes		51,000	153,000
Traveling & conveyance charges		-	-
C.D.C charges		66,196	(50,500)
I.S.E Charges (Laga)		-	(26,580)
PSX Charges		73,003	43,361
NCCS Charges		34,273	9,782
Fee and subscription		-	26,500
Market rate display charges		-	-
KSE laga charges		-	-
Audit fee	20.1	-	55,000
Repair and maintenance		-	-
Depreciation	4.1	14,030	12,753
Miscellaneous expenses		17,000	-
		<u><b>607,114</b></u>	<u><b>533,815</b></u>

	Note	30-Sep-16	30-Sep-16
<b>20.1 Audit fee</b>			
Audit fee		-	55,000
Out of pocket expenses		-	-
		<u>-</u>	<u>55,000</u>
<b>21 Financial charges</b>			
Bank and other charges		-	1,200
		<u>-</u>	<u>1,200</u>
<b>22 Other Income / (loss)</b>			
Dividend income		29,402	3,562
Other income		1,000	-
Capital gain / (loss) on investment		-	-
		<u>30,402</u>	<u>3,562</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	2016
<b><u>Managerial Remuneration including House Rent &amp; Utility</u></b>		
Chief executive	50,000	-
Executives		-
Directors		-
	<u>50,000</u>	<u>-</u>

### 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.

**Note**

**30-Sep-16**

**30-Sep-16**

**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. However, no significant rearrangement / reclassification have been made in these financial statements.

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

**CHIEF EXECUTIVE**

**DIRECTOR**