



M/S. KOSMOPOLITAN SECURITIES (PRIVATE) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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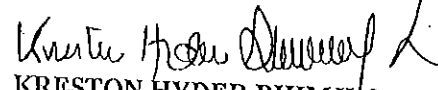
AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of M/s. KOSMOPOLITAN SECURITIES (PVT) LIMITED. as at June 30, 2016 and the related Profit & 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 disclosure in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i). the Balance Sheet and Profit and Loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii). the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii). the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c). in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit & Loss Account, Cash flow statement and Statement of Changes in Equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 of the loss, its cash flows and changes in equity 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)


KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

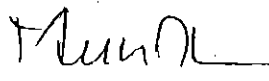
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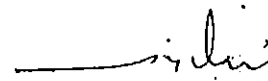
Karachi: the 08 OCT 2016

KOSMOPOLITAN SECURITIES (PVT.) LTD
BALANCE SHEET AS AT JUNE 30, 2016

	NOTE No.	2016 Rupees	2015 Rupees
<u>CAPITAL & LIABILITIES</u>			
<u>AUTHORISED CAPITAL</u>			
1,500,000 Ordinary Shares of Rs. 100 each.		150,000,000	150,000,000
<u>ISSUED, SUBSCRIBED & PAIDUP CAPITAL</u>			
760,000 Ordinary Shares of Rs. 100 each allotted for consideration paid in Cash.		76,000,000	76,000,000
Accumulated (loss) / Un-appropriated Profit		(28,635,394)	295,580
		47,364,606	76,295,580
<u>TRADE AND OTHER PAYABLES</u>			
Accrued expenses		51,747	46,105
Contingencies & Commitment	4	-	-
		47,416,353	76,341,685
<u>ASSETS</u>			
<u>NON-CURRENT ASSETS</u>			
Intangible Assets	5	200,000	15,000,000
Long Term Investments	6	40,073,830	55,000,000
Long Term deposits	7	505,809	505,809
		40,779,639	70,505,809
<u>CURRENT ASSETS</u>			
Cash & Bank Balances	8	6,636,714	5,835,876
		6,636,714	5,835,876
		47,416,353	76,341,685

The annexed notes 1 to 15 form an integral part of this financial statement

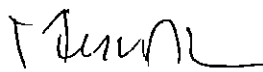

 Chief Executive


 Director

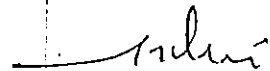
KOSMOPOLITAN SECURITIES (PVT) LTD
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	2016 Rupees	2015 Rupees
Income:		
Dividend Income on PSX shares	1,282,363	1,202,216
	<u>1,282,363</u>	<u>1,202,216</u>
Expenses:		
Fee & Subscription	(311,872)	(192,147)
Impairment in TREC value	(14,800,000)	-
Audit Fee	(15,000)	(15,000)
	<u>(15,126,872)</u>	<u>(207,147)</u>
Profit before taxation	(13,844,509)	995,069
Provision for income tax	(160,295)	(120,222)
Net (Loss) / profit after taxation	<u>(14,004,804)</u>	<u>874,847</u>
Other Comprehensive income / (loss):		
Impairment in Shares of PSX	(14,926,170)	-
Total Comprehensive income / (loss)	<u><u>(28,930,974)</u></u>	<u><u>874,847</u></u>
Earning per share - (Loss)	<u><u>(18.43)</u></u>	<u><u>1.15</u></u>

The annexed notes 1 to 15 form an integral part of this financial statement



Chief Executive



Director

KOSMOPOLITAN SECURITIES (PVT.) LTD
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	-----Rupees-----	
Cash flows From Operating activities		
(Loss) / Profit before taxation for the year	(13,844,509)	995,069
Adjustment for non-cash items:		
Impairment in TREC value	14,800,000	-
	14,800,000	-
	955,491	995,069
Changes in working capital		
(Increase) / Decrease in Current assets		
Deposits	-	300,000
	-	300,000
Increase /(Decrease) in Current liabilities		
Accrued expenses	5,642	8,433
Increase in long term deposits	-	(505,809)
Income taxes paid during the year	(160,295)	(120,222)
Cash flow from operations	(154,653)	(617,598)
Net Cash generated from operating activities	800,838	677,471
Cash flows From Investing Activities		
Net Cash (used in)/generated from investing activities	-	-
Net Cash (used in)/generated from Financing Activities		
Net (decrease)/increase in cash and cash equivalents	800,838	677,471
Cash and cash equivalent at beginning	5,835,876	5,158,405
Cash and cash equivalent at end	6,636,714	5,835,876

The annexed notes 1 to 15 form an integral part of this financial statement *W*

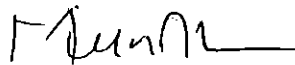
[Signature]
Chief Executive

[Signature]
Director

KOSMOPOLITAN SECURITIES (PVT) LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

	Issued, Subscribed and Paid up Capital	Accumulated Loss / Un-appropriated profit	Total
	-----Rupees-----		
Balance as at July 01, 2014	76,000,000	(579,267)	75,420,733
Total Comprehensive Income for the year	-	874,847	874,847
Balance as at June 30, 2015	76,000,000	295,580	76,295,580
Total Comprehensive Income/ (loss) for the year	-	(28,930,974)	(28,930,974)
Balance as at June 30, 2016	76,000,000	(28,635,394)	47,364,606

The annexed notes 1 to 15 form an integral part of this financial statement *W*


 Chief Executive


 Director

KOSMOPOLITAN SECURITIES (PVT.) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1 The Company and its operation

The company was incorporated under the Companies Ordinance, 1984 on May 24, 2007 as a Private Limited Company. The principal activity of the company is to carry on the business of shares brokage underwriting investment of portfolio management. However no business activity has been carried out during the year. Its registered office is situated at MR-7/52-53, 574/1, Adamjee Dawood Road, Jodia Bazar, Karachi. In the preceding year, SECP has issued the brokerage license to Company. However no business activity has been carried out during the year.

2 BASIS OF PREPARATION

2.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except otherwise specifically stated.

2.2 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International and Financial Reporting Standards for Small and Medium sized entities (IFRS for MSEs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provision of and directive issued under the Companies Ordinance, 1984. In case requirements differ, the provision or directive of the Companies Ordinance, 1984 shall prevail.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Company and rounded off to the nearest rupee.

2.4 Critical Accounting estimates and judgments:

The preparation of financial statements requires management to make judgments, estimates and assumption that have an effect on the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on the historical experience and various factors that are believe to be reasonable under the circumstances. The result of which the basis of making judgment about the carrying amount of assets and liabilities that are not readily apparent from other sources. The actual results may differ from

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management that have significant effect on the financial statements and estimates with significant probability of material adjustment in future are disclosed hereunder:

- (a) Impairment of financial assets (note 3.3); and
- (b) Classification of Investments.
- (c) Income Taxation.

2.5 Basis of preparation

These financial statements have been prepared under the 'historical cost convention' except as has been specifically stated below in respective notes.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Intangible assets

a) Membership Card Rights & Privileges

Membership cards is stated at cost of acquisition less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of recoverable amount and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

3.2 Investments

These represent Investments in shares of Pakistan Stock Exchange Limited and stated at cost and classified as available for sale and will follow the re-measurement method upon initiation of active market for these shares.

3.3 Impairment of assets

All Company's assets are reviewed at each financial year end to determine whether there is objective evidence of impairment. If any such indication exists, the assets' recoverable amount is estimated and carrying amounts are adjusted accordingly. Impairment losses are recognised in the profit and loss account.

3.4 Trade and other payables

Liabilities for trade and other amount payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

3.5 Provisions

A provision is recognized in the financial statements when the company has a legal or constructive obligation as a result of a past event, 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.

3.6 Income Taxation

Liability for current income tax is accounted for in accordance with income tax law. The income tax on profit and loss account represents current provision after adjustment, if any, to the provision for tax made in previous years, including those arising from assessments and amendments in assessments during the year, for such years.

3.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents consist of cash in hand and balances with banks.

3.8 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

3.9 Offsetting of financial assets and liabilities

All financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or, to realize the assets and settle the liabilities simultaneously.

4 CONTINGENCIES AND COMMITMENTS

There are no contingencies & commitment at the balance sheet date.

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5 INTANGIBLE ASSETS

Membership Card Rights & Privileges
Pakistan Stock Exchange Limited TREC
Less: Impairment loss

	2016 Rupees	2015 Rupees
	15,000,000	15,000,000
	(14,800,000)	
5.1 & 6.1	200,000	15,000,000

5.1 In the preceding year, Pakistan Stock Exchange Limited has been demutualized and in terms whereof its members have been allowed in exchange of membership, "Trading Right Entitlement Certificate (TREC)" along with shareholding in Pakistan Stock Exchange Ltd. The Company has recorded the value of membership in the KSE at Rs.70 Million as Intangibles vide Pakistan Stock Exchange letter no: KSE/SECP-2013/1 who have indicated notional value whereof at Rs. 15 Million. The Company have however allocated the carrying value/cost to the TREC at Rs.15 Million and taken the balance to the value of Pakistan Stock Exchange Limited shares. Fair value of the TREC has been re-evaluated and impairment loss being difference of projected bid price of TREC and recorded value has been provided for.

6 LONG TERM INVESTMENTS

Available for Sale
4,007,383 Shares of Rs. 10 each of
Pakistan Stock Exchange Limited
Less: Impairment loss

5.1 & 6.1	55,000,000	55,000,000
6.2	(14,926,170)	
	40,073,830	55,000,000

6.1 Face value of shares allotted by Pakistan Stock Exchange Limited in lieu of membership of the PSX works out at Rs.40.07 Million, while the recorded value of the membership card as Intangible asset was Rs. 70 Million, however the company have recorded the remaining balance of Rs.55 million in shares and classified as available for sale and will follow the re-measurement method upon initiation of active market for these shares. In accordance with the demutualization policy 60% of allotted shares 2,404,430 have been kept in blocked account with the Central Depository Company of Pakistan Limited while 1,602,953 shares are certified to companies CDC account.

6.2 During the year, as abundant precaution carrying value of shares in PSX has been brought down by recording impairment loss to the extent of face value of the shares.

7 LONG TERM DEPOSITS

Deposit with Pakistan Stock Exchange Ltd - Base margin
Deposit with NCCPL
Deposit with CDC Pakistan Ltd
Base Minimum Capital Requirement KSE

	201,000	201,000
	200,000	200,000
	100,000	100,000
	4,809	4,809
	505,809	505,809

8 CASH & BANK BALANCES

- Cash-In-Hand
- Cash-At-Bank in Current Account

	531,298	534,703
	6,105,416	5,301,173
	6,636,714	5,835,876

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9 FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets and Liabilities of the company, interest and non interest bearing along with their maturities are as follows:

	2016						Total
	Markup / Interest Bearing			Non Markup / Interest Bearing			
	Maturity Upto One Year	Maturity after One Year	Sub Total	Maturity Upto One Year	Maturity after One Year	Sub Total	
FINANCIAL ASSETS							
Long term investments	-	-	-	-	40,073,830	40,073,830	40,073,830
Long Term deposits	-	-	-	-	505,809	505,809	505,809
Cash and Bank Balances	-	-	-	6,636,714	-	6,636,714	6,636,714
	-	-	-	6,636,714	40,579,639	47,216,353	47,216,353
FINANCIAL LIABILITIES							
Trade and other payables	-	-	-	51,747	-	51,747	51,747
	-	-	-	51,747	-	51,747	51,747

	2015						Total
	Markup / Interest Bearing			Non Markup / Interest Bearing			
	Maturity Upto One Year	Maturity after One Year	Sub Total	Maturity Upto One Year	Maturity after One Year	Sub Total	
FINANCIAL ASSETS							
Long term investments	-	-	-	-	55,000,000	55,000,000	55,000,000
Long Term deposits	-	-	-	-	505,809	505,809	505,809
Cash and Bank Balances	-	-	-	5,835,876	-	5,835,876	5,835,876
	-	-	-	5,835,876	55,505,809	61,341,685	61,341,685
FINANCIAL LIABILITIES							
Trade and other payables	-	-	-	46,105	-	46,105	46,105
	-	-	-	46,105	-	46,105	46,105

The effective interest/markup rates for the financial assets and liabilities are mentioned in respective notes to the financial statements. While commission chargeable on off balance sheet items is chargeable as advised by the banks. W.

10 FINANCIAL INSTRUMENTS

10.1 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company's activities expose it to a certain financial risks:

- Credit risk
- Liquidity risk
- Market risk (including currency risk, interest rate risk and other price risk)

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

Risk management is carried out by the Board of Directors (the Board) under policies approved by the board. The Board provides formal principles for overall risk management, as well as significant policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

The information about the company's exposure to each of the above risk, the company's objectives, policies and procedures for measuring and managing risk, and the company's management of capital, is as follows;

a) Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company manages credit risk inter alia by limiting advances and credit to individual customers based on their credit worthiness, obtaining advance against exposure, obtaining collaterals where considered necessary and making appropriate provision for doubtful receivables.

Exposure to credit Risk

Company's credit risk is mainly attributable to Trade debts, balances with banks and financial institutions, and committed transactions. The maximum exposure of the company to credit risk is as follows:

	2016	2015
	Rupees	
Long Term deposits	505,809	505,809
Long Term Investments	40,073,830	55,000,000
Bank Balances	6,636,714	5,835,876
	<u>47,216,353</u>	<u>61,341,685</u>

Trade Deposits
These are given to PSX/NCCPL which are prime regulator and enjoys sound creditability.

Bank balances

The company maintains balances with banks that have good and stable credit rating. Given these credit ratings, management does not expect that any counter party will fail to meet their obligations.

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b) **Liquidity risk**

Liquidity risk represent the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. Contractual maturities of financial liabilities, including interest payments excluding the impact of netting arrangements, are shown in the Note 9.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The management forecasts liquidity risks on the basis of expected cash flow considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements.

c) **Market Risk**

Market risk is the risk that the fair value or future cash flows of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. Market risk comprises of three types of risks: Foreign Exchange / Currency risk, interest rate risk and other price risk.

Foreign Currency risk

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arise mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange. The Company is not exposed to any foreign currency risk.

Interest / Markup rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in the interest / mark-up rates. The exposure to interest rate risk is mainly arises in respect of variable markup / interest bearing long term and short borrowings from banks. The Company is not exposed to any markup/interest rate risk.

d) **Other price risk**

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest or currency rate risk), whether those changes are caused by factors specified to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk.

10.2 Fair value of Financial Assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value except investment in shares of PSX which is carried at cost.

11 CAPITAL RISK MANAGEMENT

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company finance its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. In order to maintain or adjust capital structure, the company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt. Consistent with others in industry , the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of shareholders.

12 REMUNERATION TO CHIEF EXECUTIVE AND DIRECTORS

Currently no remuneration is being provided by the Company to its Chief Executive, any Director and Company Secretary and key management personnel.

13 NO OF EMPLOYESS

As on balance sheet date

2016

Nil

2015

Nil

The Company has not formulated employees retirement benefit policy as no employee has been hired.

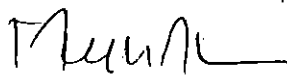
14 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue by the Board of Directors.

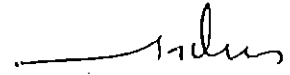
on 08 OCT 2016

15 GENERAL

15.1 Figures have been rounded off to the nearest rupee. *WA*



Chief Executive



Director