



Auditors' Report to the Members

We have audited the annexed balance sheet of **Switch Securities Private Limited** as at **June 30, 2016** and the related profit and loss account, statement of comprehensive income, 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.

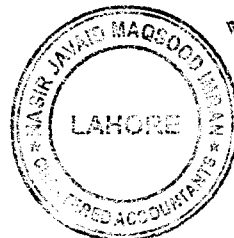
It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an 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 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 accounts and are further in accordance with accounting policies consistently applied to the financial statements with which we concur;
 - (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, statement of comprehensive income, 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 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).

Place: Lahore

Dated: October 07 2016



Nasir Javid Maqsood Imran
Nasir Javid Maqsood Imran
Chartered Accountants

Muhammad Maqsood
MM

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A member firm of



SWITCH SECURITIES (PRIVATE) LIMITED.

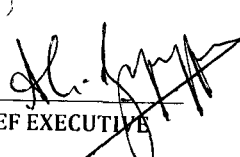
FINANCIAL STATEMENTS AS AT JUNE 30, 2016


- A BALANCE SHEET**
- B PROFIT AND LOSS ACCOUNT**
- C STATEMENT OF COMPREHENSIVE INCOME**
- D STATEMENT OF CHANGES IN EQUITY**
- E NOTES TO THE FINANCIAL STATEMENTS**

SWITCH SECURITIES PRIVATE LIMITED
BALANCE SHEET
AS AT JUNE 30, 2016

	Note	June 2016 Rupees	June 2015 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	11,814,232	7,763,589
Intangibles	6	9,000,000	9,000,000
Long term deposits and prepayments	7	5,667,608	5,793,057
Deferred tax	8	78,491,997	-
		104,973,837	22,556,646
CURRENT ASSETS			
Trade debts	9	93,117,328	273,119,729
Short term investments	10	77,282,212	56,866,793
Advances, deposits, prepayments and other receivables	11	3,618,559	23,863,540
Advance income tax	12	6,183,560	6,236,456
Cash and bank balances	13	10,960,444	1,301,174
		191,162,103	361,387,692
TOTAL ASSETS		296,135,941	383,944,339
EQUITY AND LIABILITIES			
SHARE CAPITAL & RESERVES			
<i>Authorized Capital</i>			
20,000,000 (2015:20,000,000) ordinary shares of Rs. 10/- each			
		200,000,000	200,000,000
Issued, subscribed and paid up capital	14	120,048,000	120,048,000
Unappropriated profit/(loss)		(375,284,557)	(356,115,556)
Share deposit money	15	-	268,000,000
Subordinated loan	16	285,267,647	-
		30,031,090	31,932,444
NON CURRENT LIABILITIES			
Long term financing	17	68,609,131	104,913,857
Other long term loans	18	106,763,466	149,654,829
Deferred liabilities	19	82,189,246	76,252,238
		257,561,843	330,820,924
CURRENT LIABILITIES			
Trade and other payables	20	8,384,841	20,685,003
Provision for taxation		158,167	505,968
		8,543,008	21,190,971
CONTINGENCIES AND COMMITMENTS			
	26	-	-
TOTAL EQUITY AND LIABILITIES		296,135,941	383,944,339

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

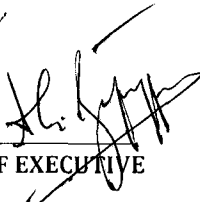

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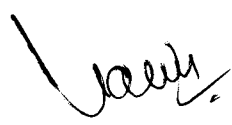

 DIRECTOR

**SWITCH SECURITIES PRIVATE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016**

	Note	June 2016 Rupees	June 2015 Rupees
INCOME			
Brokerage income		3,162,880	1,428,070
Capital (loss)/gain - net		1,435,100	50,099,666
Dividend income		1,012,305	4,916,857
Gain / (loss) on re-measurement of held for trading investments		8,017,891	6,228,233
		<u>13,628,176</u>	<u>62,672,826</u>
EXPENDITURE			
Operating and administrative expenses	21	128,473,047	6,060,418
Finance cost	22	24,276,557	25,396,160
		<u>152,749,604</u>	<u>31,456,578</u>
OPERATING PROFIT/ (LOSS)		<u>(139,121,428)</u>	<u>31,216,248</u>
Other income	23	41,618,597	36,323,276
PROFIT / (LOSS) BEFORE TAXATION		<u>(97,502,831)</u>	<u>67,539,524</u>
Taxation	24	(78,333,830)	505,966
PROFIT / (LOSS) AFTER TAXATION		<u>(19,169,001)</u>	<u>67,033,558</u>
EARNING / (LOSS) PER SHARE - BASIC AND DILUTED	25	<u>(1.60)</u>	<u>5.58</u>

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


CHIEF EXECUTIVE


Director

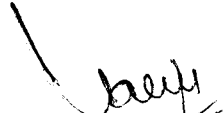
**SWITCH SECURITIES PRIVATE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016**

Note	June	June
	2016	2015
	Rupees	Rupees
Profit/(Loss) after taxation for the year	(19,169,001)	67,033,558
Other comprehensive income/ (loss) for the year		
Items that will never be reclassified to profit or loss:	-	-
Items that are or may be reclassified to profit or loss:	-	-
Total other comprehensive income/ (loss)	<u>-</u>	<u>-</u>
Total comprehensive income/ (loss)	<u>(19,169,001)</u>	<u>67,033,558</u>

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

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CHIEF EXECUTIVE

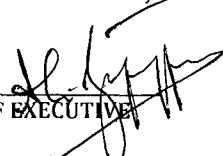

Director


SWITCH SECURITIES PRIVATE LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

Note	June	June
	2016	2015
	Rupees	Rupees
Cash flows from operating activities		
Profit / (loss) before taxation	(97,502,831)	67,539,523
Add: Items not involved in movement of funds		
Depreciation	954,108	790,859
Provision for gratuity	218,000	363,250
Provision for doubtful debts	118,850,676	
Gain on re-measurement of investments at fair value through profit or loss - net	(8,017,891)	(6,228,233)
Other income	(41,029,751)	
Dividend income	(1,012,305)	(4,916,857)
Finance cost	24,276,557	25,396,160
Other expenses	2,787,640	-
	(475,798)	82,944,702
Decrease / (Increase) in current assets		
Short term investments	(12,397,528)	144,659,707
Trade debts - unsecured	61,151,725	34,210,954
Advances, deposits, prepayments and other receivables	18,062,482	(16,213,714)
	66,816,679	162,656,947
(Increase) / decrease in trade and other payables		
	(12,145,690)	16,232,859
Cash generated from operations	54,195,191	261,834,508
Dividend received	1,012,305	4,916,857
Finance cost paid	(3,836,383)	(31,758,198)
Gratuity paid	(139,388)	-
Taxes paid	(453,072)	(323,923)
Net cash generated from operating activities	50,778,652	234,669,244
Cash flows from investing activities		
Acquisition of property and equipment	(5,004,751)	(25,069)
Long term deposits and advances	(277,817)	(933,804)
Net cash used in investing activities	(5,282,568)	(958,873)
Cash flows from financing activities		
Subordinated loan received	285,267,646	(169,864,867)
Share deposit money	(268,000,000)	268,000,000
Loan paid	(53,104,460)	(331,861,751)
Net cash used in financing activities	(35,836,813)	(233,726,618)
Net increase / (decrease) in cash and cash equivalents	9,659,271	(16,247)
Cash and cash equivalents at the beginning of the year	1,301,173	1,317,420
Cash and cash equivalents at the end of the year	10,960,444	1,301,173

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

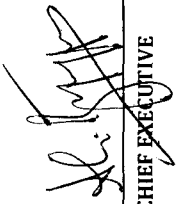
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CHIEF EXECUTIVE



DIRECTOR

SWITCH SECURITIES PRIVATE LIMITED
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED JUNE 30, 2016

	Issued, subscribed and paid up capital	Unappropriated Loss	Share Deposit Money	Subordinated loan	Total
Balance as at June 30, 2014	120,048,000	(423,149,113)	-	-	(303,101,113)
Share deposit money	-	-	268,000,000	-	268,000,000
Total comprehensive income for the year	-	67,033,557	-	-	67,033,557
Balance as at June 30, 2015	120,048,000	(356,115,556)	268,000,000	-	31,932,444
Share deposit money	-	-	(268,000,000)	-	(268,000,000)
Subordinated loan	-	-	-	285,267,646	285,267,646
Total comprehensive loss for the year	-	(19,169,001)	-	-	(19,169,001)
Balance as at June 30, 2016	120,048,000	(375,284,557)	-	285,267,646	30,031,090

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 CHIEF EXECUTIVE


 DIRECTOR

SWITCH SECURITIES PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

1. STATUS AND NATURE OF BUSINESS

Switch Securities (Private) Limited was incorporated in Pakistan at Lahore under the Companies Ordinance 1984 on July 30, 1997. Principal office of the Company is situated at 179-B Abu-Bakr Block, New Garden Town, Lahore. The Company is a subsidiary of MCD Pakistan Limited which owns 99.92% (2015: 99.92%) of the share capital of the company. The Company is a Trading Right Entitlement Certificate Holder of Pakistan Stock Exchange Limited after integration of all stock exchanges of country into one stock exchange on 11-01-2016 before it was a TREC holder of Lahore Stock Exchange and Islamabad Stock Exchange.

The main activity of the company is to act as broker for trading in shares.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved Accounting Standards as applicable in Pakistan and the requirements of the Companies Ordinance 1984. Approved Accounting Standards comprise of such International financial reporting standards as applicable in Pakistan. Whenever the requirements of the Companies Ordinance 1984 or directives of the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of the standards, the requirements of the Companies Ordinance 1984 or the requirements of the said directives take precedence.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for Investments held for trading, which are stated at their fair value.

3.1 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, requires management to make judgments, estimates and assumptions that affect the application of policies, reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions and judgments are based on historic experience and various other factors that are believed to be reasonable under the circumstances the result of which form the basis of making the judgments about carrying values of the assets and

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SWITCH SECURITIES PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only the period, or in the period of revision and future periods if the revision effects both current and future periods. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Classification and valuation of investment
- b) Provision for taxation
- c) Useful life of property, plant and equipment

3.2 New standards, amendments to approved accounting standards and interpretations which became effective during the year ended 30 June 2016

During the year IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12

'Disclosure of Interests in Other Entities' and IFRS 13 'Fair Value Measurements' became effective. These standards became applicable from 1 July 2015, as per the adoption status of IFRS in Pakistan. The application of IFRS 10, IFRS 11 and IFRS 12 did not have any impact on the financial statements of the Company.

3.3 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2016

- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements;

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SWITCH SECURITIES PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10-Consolidated Financial Statements' and IAS 28 - 'Investments in Associates and Joint Ventures') [effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements;
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements;
- Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements;
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, a Company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements;
- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in

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SWITCH SECURITIES PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Company's financial statements;

- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes; and
- Amendments to IFRS 2 - 'Share-based Payment' clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting;
- IFRS 7 'Financial Instruments - Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7), are

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SWITCH SECURITIES PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

not specifically required for inclusion in condensed interim financial statements for all interim periods;

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid; and
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have any impact on these financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

4.1 Property plant and equipment:

These are stated at cost less accumulated depreciation and impairments, if any. Depreciation is charged on reducing balance basis at the rates specified in Note 5 to the financial statements, which are considered appropriate to write off the cost of assets over their useful economic lives.

Full month depreciation is charged on the assets in the month of addition while no depreciation is charged in the month of disposal. Assets subject to finance lease are depreciated on the same basis as owned assets.

An item of property plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognised.

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SWITCH SECURITIES PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Normal repairs and maintenance are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized.

Residual value and useful life is reviewed at the end of each financial year.

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

4.2 Intangibles

TRE Certificates

These are stated at cost less accumulated impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amount, and where carrying amount exceeds estimated recoverable amount, these are written down to their estimated recoverable amount. These assets have an indefinite useful life so no amortization has been charged.

Others

These are stated at cost less accumulated impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amount, and where carrying amount exceeds estimated recoverable amount, these are written down to their estimated recoverable amount. These assets have an indefinite useful life so no amortization has been charged.

4.3 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. All impairment losses are recognized in the

SWITCH SECURITIES PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

profit and loss account. Individually significant financial assets are tested for impairment on individual basis.

Impairment losses are reversed when there is an indication that the impairment may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been charged.

4.4 Short term investments

Held for trading

These include investments classified as held for trading or upon initial recognition are designated by the Company at fair value through profit or loss. Investments which are acquired principally for the purpose of generating a profit from short term fluctuations in price are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains and losses recognized directly in profit and loss account. Fair value of investments is their quoted bid price at the balance sheet date. For unquoted investments Net Assets Value (NAV) is considered as the fair value of these investments. Transaction costs are charged to income currently.

4.5 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.6 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. The Company de-recognizes a financial asset or a portion of financial asset when, and only when, the enterprise loses control of the contractual rights that comprise the financial asset or portion of financial asset. A financial liability or part of financial liability is de-recognized from the balance sheet, when and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the recognition or de-recognition of the financial assets and liabilities is included in the profit and loss account currently.

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SWITCH SECURITIES PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Significant financial assets include long term deposits and prepayments other receivables, short term investments, trade debts and cash and bank balances.

Significant financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term financing, other long term loans and trade and other payables.

4.7 Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

4.8 Interest bearing borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the profit and loss account when the liabilities are derecognized as well as through the amortization process.

4.9 Trade and other payables

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

4.10 Provisions

Provisions are 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 of the obligation can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

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SWITCH SECURITIES PRIVATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

4.11 Deferred Liabilities

Provision for gratuity (Defined benefit plan)

The Company operates an un-funded gratuity scheme for all employees according to the terms of employment, subject to a minimum qualifying period of service and provision is made annually to cover the obligations under the scheme. This benefit is calculated with reference to last drawn salary and prescribed qualifying periods of service of the employees. Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

4.12 Revenue recognition

Brokerage income, consultancy and money market services are recognized as and when such services are provided.

Dividend income is recognized at the time of book closure of the company declaring the dividend.

Return on securities other than shares is recognized as and when it is due on time proportion basis.

Mark-up/interest income is recognized on accrual basis.

Capital gains or losses on sale of investments are recognized in the year in which they arise.

4.13 Taxation

Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing laws for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the

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SWITCH SECURITIES PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.14 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency.

4.15 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 of cash in hand, cash with banks and other short term highly liquid investments (if any) that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

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SWITCH SECURITIES PRIVATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

5 Property, plant and equipment

		June 2016	June 2015
Property, plant and equipment	5.2	11,814,232	7,763,589
		<u>11,814,232</u>	<u>7,763,589</u>

5.1 Addition to lease hold improvements includes balance transferred from advances to lease hold improvements which are completed at the end of last financial year and capitalized at 01 July-2015

5.2

	C O S T			D E P R E C I A T I O N			W.D.V	RATE
	As at 01 July 2015	Additions/ (Deletions)/ Transfer	As at 30 June 2016	As at 01 July 2015	Charge for the year	Adjustments		
	(RUPEES)							
								%
Rooms	4,492,556	-	4,492,556	1,921,584	128,549	-	2,050,133	2,442,423 5
Lease hold Improvements	-	4,923,251	4,923,251	-	246,163	-	246,163	4,677,088 5
Computers	3,842,465	81,500	3,923,965	3,781,867	26,254	-	3,808,121	115,844 33
Office equipment	3,843,750	-	3,843,750	2,671,257	117,249	-	2,788,506	1,055,244 10
Furniture and fittings	9,655,877	-	9,655,877	6,095,763	356,011	-	6,451,774	3,204,103 10
Vehicles	3,528,880	-	3,528,880	3,129,468	79,882	-	3,209,350	319,530 20
	<u>25,363,528</u>	<u>5,004,751</u>	<u>30,368,279</u>	<u>17,599,939</u>	<u>954,108</u>	<u>-</u>	<u>18,554,047</u>	<u>11,814,232</u>
2016	<u>25,363,528</u>	<u>5,004,751</u>	<u>30,368,279</u>	<u>17,599,939</u>	<u>954,108</u>	<u>-</u>	<u>18,554,047</u>	<u>11,814,232</u>
2015	<u>25,338,459</u>	<u>25,069</u>	<u>25,363,528</u>	<u>16,809,080</u>	<u>790,859</u>	<u>-</u>	<u>17,599,939</u>	<u>7,763,589</u>

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6 INTANGIBLES

		June 2016 Rupees	June 2015 Rupees
Trading Right Entitlement Certificates (TREC)			
	6.1	8,000,000	-
		-	4,000,000
		-	4,000,000
Others			
		1,000,000	1,000,000
		<u>9,000,000</u>	<u>9,000,000</u>

6.1 This represents two Trading Right Entitlement Certificate (TREC) received from Pakistan Stock Exchange Limited (PSX) (formerly Karachi Stock Exchange Limited) in lieu of the TREC of Lahore Stock Exchange and Islamabad Stock Exchange held by the company before integration of stock exchanges in January 2016. One TREC is pledged with Pakistan Stock Exchange.

6.2 The Company has no internally generated intangible assets.

7 LONG TERM DEPOSITS AND PREPAYMENTS

		June 2016 Rupees	June 2015 Rupees
Deposits			
		200,000	-
		-	250,000
		100,000	75,000
		400,000	400,000
		-	100,000
		<u>700,000</u>	<u>825,000</u>
Prepayments			
		2,467,608	2,389,791
		2,500,000	2,500,000
		-	78,266
		<u>4,967,608</u>	<u>4,968,057</u>
		<u>5,667,608</u>	<u>5,793,057</u>

8 DEFERRED TAX

		June 2016 Rupees	June 2015 Rupees
Liability for deferred taxation comprising temporary differences related to:			
			937,077
Asset for deferred taxation comprising temporary differences related to:			
		(42,585,364)	-
		(36,843,710)	-
	8.1	<u>(78,491,997)</u>	<u>-</u>

8.1 Based on approved business plan of the Company, it is probable that sufficient taxable profits will be available for utilization of deferred tax asset.

9 TRADE DEBTS

		June 2016 Rupees	June 2015 Rupees
Considered good - unsecured			
Clients			
		4,074,555	52,766,885
		89,042,773	220,352,844
		<u>93,117,328</u>	<u>273,119,729</u>
Considered doubtful:			
Clients			
		118,850,676	-
		<u>118,850,676</u>	<u>-</u>
	9.2	<u>(118,850,676)</u>	<u>-</u>
		<u>93,117,328</u>	<u>273,119,729</u>

9.1 Related parties

This represents balance receivable from associated companies. Age analysis of trade debts from related parties disclosed in note 28.1.2 to the financial statements

9.2 Provision for doubtful debts

		-	-
		-	-
		118,850,676	-
		<u>118,850,676</u>	<u>-</u>

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10 SHORT TERM INVESTMENTS

June 2016	June 2015
Rupees	Rupees

Held for trading

10.1	<u>77,282,212</u>	<u>56,866,793</u>
	<u>77,282,212</u>	<u>56,866,793</u>

10.1 Details of investments are as follows:

	June 2016			June 2015		
	Number of shares	Carrying Amount	Market value	Number of shares	Carrying Amount	Market value
		Rupees	Rupees		Rupees	Rupees
Investment in related parties						
First National Equities Limited (quoted)	5,642,531	13,576,527	12,977,821	2,083,150	5,728,663	6,457,765
Other investments						
Pioneer Cement Limited	58	5,800	6,229	-	-	-
Trust Investment Bank Limited	4,354,601	4,354,601	4,006,233	-	-	-
Nib Bank Limited	5,000	8,550	9,550	-	-	-
JS bank Limited	152,000	912,000	902,880	-	-	-
Aisha Steel Mills Limited	385	3,119	2,695	385	2,710	3,119
SME Leasing Limited	350	88	469	-	-	-
Ghazi Fabric International Limited	300	2,250	1,359	350	1,750	88
Other-Unquoted						
National Asset Management Company Pakistan	500,000	10,500,000	9,065,000	500,000	5,000,000	10,500,000
LSE Financial Service Limited	843,975	9,553,797	14,896,159	843,975	8,439,750	9,553,797
ISE Towers Reit Management Co. Ltd.	3,034,603	30,346,030	35,413,017	3,034,603	30,346,030	30,346,030
Dada bhoy Cement Industries Limited	500	1,560	-	-	-	-
Other Investments	-	-	-	-	5,544	5,994
Total Investment		69,264,321	77,282,212		49,524,447	56,866,793
Gain / (loss) on remeasurement		<u>8,017,891</u>			<u>7,342,346</u>	
Total Investment as at June 30,		<u>77,282,212</u>			<u>56,866,793</u>	

Shares having carrying amount of Rs. 18,848,928/- (2015: 44,514,443) and market value of Rs. 17,893,163/- (2015: 46,357,592) have been given as pledged against borrowings from commercial banks.

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11 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

		June 2016 Rupees	June 2015 Rupees
Advances - Unsecured - Considered good			
Executive	11.1	20,000	-
Employees	11.1	23,000	16,999
Advance against lease hold improvements		-	4,923,251
		43,000	4,940,250
Prepayments			
		-	20,000
Deposits			
Lahore Stock Exchange Exposure		282,000	525,000
Exposure with National Clearing Company Pakistan Limited	11.2	3,200,000	-
Receivable from National Clearing Company		-	16,289,816
Other receivables - considered good	11.3	93,559	2,088,474
		3,575,559	18,903,290
		3,618,559	23,863,540

11.1 Advances given to Executives / Employees are in accordance with the Company policy. Such advances are unsecured, interest free and are adjusted against salary / expenses claims. Advances to executive include Rs. 20,000 amount due from chief executive for expenses (2015 : NIL).

11.2 This represents exposure deposit with National Clearing Company Pakistan Limited under the exposure rules.

11.3 During the year advance to MCD Pakistan Limited a related party written off amounting Rs. 487,625

12 ADVANCE INCOME TAX

Advance Income Tax	6,183,560	6,236,456
	6,183,560	6,236,456

13 CASH AND BANK BALANCES

Cash at bank		
Deposit accounts	13.1	10,960,444
		10,960,444
		1,301,174
		1,301,174

13.1 These carry profit at rates ranging from 3% to 5% per annum.

14 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

June 2016 Number of shares	June 2015 Number of shares		June 2016 Rupees	June 2015 Rupees
2,000	2,000	Shares of Rs. 10/- each fully paid	20,000	20,000
1,950,000	1,950,000	Shares of Rs. 10/- each issued for consideration other than cash	19,500,000	19,500,000
10,052,800	10,052,800	Bonus shares of Rs. 10/- each fully paid	100,528,000	100,528,000
12,004,800	12,004,800		120,048,000	120,048,000

14.1 The Company is a subsidiary of MCD Pakistan Limited - which holds 11,995,575 (99.92%) ordinary shares (2015: 11,995,575 (99.92%)) of the Company.

15 Share deposit money

16.1	-	268,000,000
	-	268,000,000

16 Subordinated Loan

During the year	17,267,647	-
Transferred from share deposit money	268,000,000	-
16.1	285,267,647	-

16.1 This represent loan from sponsors of the Company. During the year share deposit money of Rs. 268,000,000 was converted to subordinated loan as per agreement with sponsors. This loan is payable on company's discretion.

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17 LONG TERM FINANCING

		June 2016 Rupees	June 2015 Rupees
Long term financing - Secured			
Loan from banking companies	17.1	100,584,821	104,913,857
Deferred notional income	17.2	(31,975,690)	-
		<u>68,609,131</u>	<u>104,913,857</u>

- 17.1 During the year company rescheduled its loan facility with bank. As per the arrangement company is required to pay principal amount of Rs. 104.9 Million to bank in 33 installments after immediate down payment amounting Rs. 594,937, and other installments starting from December 2015 till December 2024. Further, one of the sponsor has given the undertaking that installment due up to December 2017 will be paid by his own resources and no resources of the company will be utilized for it. Due to which no current maturity is shown. The facility is secured against equitable mortgage of residential houses bearing No. 43-J DHA and shares having market value of Rs6,044,400/- (2015: 8,146,800 /-) have been pledged by the Company and personal guarantees of sponsors.
- 17.2 This represents the difference between amortized cost and carrying value of long term loans from MCB Bank Limited of Rs 104.9 million. Amortized cost has been determined using rate of 10% per annum being the rate of cost to company for similar instrument. Movement is as follows:

		June 2016 Rupees	June 2015 Rupees
Deferred notional income			
As at beginning of the year		-	-
Occurred during the year		36,089,831	-
Amortized during the year		(4,114,142)	-
As at end of the year		<u>31,975,689</u>	<u>-</u>

18 OTHER LONG TERM LOANS

		June 2016 Rupees	June 2015 Rupees
Loans from related parties -Unsecured			
Loan from First National Equities Limited-Related Party		-	48,775,423
Other loans- Unsecured			
Long term loans from Individuals- Unsecured	18.1	106,763,466	100,879,406
		<u>106,763,466</u>	<u>149,654,829</u>

- 18.1 This represents the amount obtained from different individuals. The company has entered into agreement of long term loan with these individuals and to pay markup on the outstanding balances. The rate of markup ranges from 9% to 22% p.a.

19 DEFERRED LIABILITIES

		June 2016 Rupees	June 2015 Rupees
Deferred markup on loan from associates	19.1	79,573,384	73,714,988
Provision for gratuity	19.2	2,615,862	2,537,250
		<u>82,189,246</u>	<u>76,252,238</u>

- 19.1 The members of the associated company by passing a special resolution on 30-November-2011 extended the repayment of the amount due to the company for ten years with the early as possible payment option starting from November 2009. During the year the company paid all principal amount due. The total markup due on this liability has been deferred till the end of financial year 2020. The said relief was provided through a special resolution passed by members of the associate company.
- 19.2 The Company operates an un-funded gratuity scheme for all employees, subject to completion of minimum qualifying period of service and provision is made annually to cover the obligations under the scheme. This benefit is calculated with reference to last gross salary and qualifying periods of service of the employees.

NSM

Balance Sheet

Opening balance
 Less: Paid during the period
 Add: Provision for the year

June 2016 Rupees	June 2015 Rupees
2,537,250	2,174,000
(139,388)	-
218,000	363,250
2,615,862	2,537,250

20 TRADE AND OTHER PAYABLES**Payable against sale of shares - un secured**

Clients
 National Clearing Company Pakistan Limited
 Accrued and other liabilities

20.1

June 2016 Rupees	June 2015 Rupees
1,117,923	17,281,208
5,264,538	-
2,002,380	3,403,796
8,384,841	20,685,003

20.1 Accrued and other liabilities includes Rs. 10,886 payable to chief executive.

21 OPERATING AND ADMINISTRATIVE EXPENSES

Salaries and benefits
 Provision for gratuity
 Provision for doubtful debts
 Rent, rates and taxes
 Communication
 Utilities
 Internet & computer
 Printing and stationery
 Traveling and conveyance
 Repair and maintenance
 Postage and courier
 Entertainment
 Legal and professional
 Auditors' remuneration
 Depreciation
 Fee and subscription
 Lahore Stock Exchange charges CDC and stamps charges
 Other expenses

21.1

5.2

June 2016 Rupees	June 2015 Rupees
3,766,589	3,545,396
218,000	363,250
118,850,676	-
75,400	75,000
59,974	52,671
80,000	-
100,918	25,809
18,115	4,706
151,500	120,614
44,011	26,312
18,351	21,709
15,690	11,392
53,760	-
235,000	252,000
954,108	790,859
252,355	402,681
83,497	172,363
3,495,104	195,658
128,473,047	6,060,418
200,000	165,000
35,000	87,000
235,000	252,000

21.1 Auditors' remuneration

Statutory audit
 Certifications

22 FINANCE COST

Mark-up on long term loans
 Markup on loan from associated company
 Mark-up on other long term financing
 Mark-up amortized
 Bank charges and commission

	4,232,721
5,858,396	7,820,278
13,831,233	13,329,797
4,114,142	-
472,786	13,364
24,276,557	25,396,160

23 OTHER INCOME**Income from financial assets**

Return on deposit accounts

92,646	91,890
92,646	91,890

Income from assets other than financial assets

Markup waived off
 Notional income
 Others

-	34,416,171
36,089,831	-
5,436,120	1,815,215
41,525,951	36,231,386
41,618,597	36,323,276

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24 TAXATION

Current	24.1	<u>158,167</u> 158,167	<u>505,966</u> 505,966
Deferred		<u>(78,491,997)</u> (78,491,997)	<u>-</u> -
		<u>(78,333,830)</u>	<u>505,966</u>

24.1 The provision for current year tax is charged under section 113 of Income Tax Ordinance 2001.

24.2 There is no relationship between tax expense and accounting profit since the Company's profits are subject to minimum tax. Accordingly, no numerical reconciliation has been presented.

25 EARNING PER SHARE - BASIC AND DILUTED

		June 2016 Rupees	June 2015 Rupees
Profit / (loss) after taxation attributable to ordinary share holders - Rupees		<u>(19,169,001)</u>	<u>67,033,558</u>
Number of ordinary shares		<u>12,004,800</u>	<u>12,004,800</u>
Earning /(loss) per share - basic and diluted - Rupees per share	25.1	<u>(1.60)</u>	<u>5.58</u>

25.1 No figure for diluted earning / (loss) per share has been disclosed as the Company has not issued any instrument which would have an impact on earnings per share, when exercised.

26 CONTINGENCIES AND COMMITMENTS**26.1 Contingencies**

In case the company fails to make payments as per the agreement with the bank, the bank may declare an event of default. As a result of default, the entire financial relief given to the company (waiver of markup as on the date of agreement Rs. 69.318 Million, legal charges of Rs. 0.434 Million & future cost) shall stand withdrawn. And the company shall be liable to pay the remaining amount of admitted liability, together with the cost of fund, other charges and fees till the date of realization.

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27 TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the terms of their employment disclosed in note 29 are as follows:

	2016			
	Associated Companies	Parent Company	Key management Personnel of the entity, its parent and their close family members	Other Related Parties
	Rupees	Rupees	Rupees	Rupees
Commission	586,315			
Deferred markup	5,858,396			
Loan repayment	48,775,423			
Advance written off		487,625		
Subordinated loan			15,539,991	
Securities purchased			5,341,165	
Balance received	48,850,000			
Purchase of marketable securities			12,618,413	
Sale of marketable securities			5,850,000	
Others	7,840,016		1,560,516	

	2015			
	Associated Company	Parent Company	Key management Personnel of the entity, its parent and their close family members	Other Related Parties
	Rupees	Rupees	Rupees	Rupees
Purchase of marketable securities	58,952,076	-	-	-
Sale of marketable securities of related parties	89,566,732	-	-	134,350,098
Brokerage paid to related parties	124,320	-	-	186,480
Brokerage earned from related parties	-	-	-	488,944

27.1 The amounts due to / due from related parties are disclosed in respective notes to the financial statements.

28 FINANCIAL INSTRUMENTS

The Company finances its operations through equity, borrowings and management of working capital with a view to obtain a reasonable mix between the various source of finance to minimize the risk.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

28.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of a company's performance to developments affecting a particular industry. The Company manages its credit risk by the following methods:

- Monitoring of debts on continuous basis
- Deposit of margins before execution of orders for all retail clientele.
- Obtaining adequate securities for all receivables / fund placements.

28.1.1 Exposure to credit risk

The carrying values of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016	2015
	Rupees	Rupees
Long term deposits and advances	675,000	725,000
Trade debts - unsecured	93,117,328	273,119,729
Short term Investments	77,282,212	56,866,793
Advances, deposits and other receivables	3,568,000	26,715,316
Bank balance	10,960,444	1,301,174
	<u>185,602,984</u>	<u>358,728,013</u>

The credit quality of financial assets can be assessed by reference to external credit rating as follows: defaults.

	Rating		Rating Agency	2016	2015
	Short Term	Long Term		Rupees	Rupees
Bank Alfalah Limited	A 1 +	AA	PACRA	10,547,821	1,200,073
Summit Bank	A -1	A-	JCR-VIS	412,623	101,101
				<u>10,960,444</u>	<u>1,301,175</u>

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28.1.2 The age of trade debts at the reporting date was:

Related parties	June 30, 2016					Total
	Neither past due nor impaired (1 - 30 days)	Past due (31 - 90 days)	Past due (91 - 180 days)	Past due (181 - 365 days)	More than 1 year	
	Rupees					
First National Equities Limited		101,318	253,515	-	-	354,833
Rainbow Stores Private Ltd					3,719,722	3,719,722
		<u>101,318</u>	<u>253,515</u>	<u>-</u>	<u>3,719,722</u>	<u>4,074,555</u>

No impairment allowance is necessary in respect of amount due from related parties

	June 30, 2015					Total
	Neither past due nor impaired (1 - 30 days)	Past due (31 - 90 days)	Past due (91 - 180 days)	Past due (181 - 365 days)	More than 1 year	
	Rupees					
First National Equities Limited		198,449				198,449
Rainbow Stores Private Ltd					52,568,436	52,568,436
		<u>198,449</u>	<u>-</u>	<u>-</u>	<u>52,568,436</u>	<u>52,766,885</u>

Other clients	2016		2015	
	Rupees		Rupees	
Neither past due nor impaired 1 - 14 days		7,989		-
Past due 15 days - one year		212,644		123,042
Past due More than one year		211,392,536		272,996,688
		<u>211,613,169</u>		<u>273,119,730</u>

During the year, trade debts of Rs. 118,850,676 (2015: Rs. NIL) were provided for / written off.

28.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company believes that it is not exposed to any significant level of liquidity risk.

The following are the contractual maturities of financial liabilities as on June 30, 2016.

	Carrying Amount	One month to three months	Three months to one year	One year to five years	More than five years
Long term financing	175,372,597	-	-	106,763,466	68,609,131
Trade & other payables - Unsecured	8,384,841	8,384,841	-	-	-
Interest accrued	79,573,384	-	-	79,573,384	-
	<u>263,330,822</u>	<u>8,384,841</u>	<u>-</u>	<u>186,336,850</u>	<u>68,609,131</u>

The following are the contractual maturities of financial liabilities as on June 30, 2015

	Carrying Amount	One month to three months	Three months to one year	One year to five years	More than five years
Long term financing	254,568,686	-	-	149,654,829	104,913,857
Trade & other payables - Unsecured	20,685,003	20,685,003	-	-	-
Interest accrued	73,714,988	-	-	73,714,988	-
	<u>348,968,677</u>	<u>20,685,003</u>	<u>-</u>	<u>223,369,817</u>	<u>104,913,857</u>

28.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices, will effect the Company's income or the value of its holdings of financial instruments.

26.3.1 Currency risk

Foreign currency risk arises mainly where payable/receivable exist due to transactions with foreign clients. The company does not view hedging as being financially feasible owing to the excessive cost involved in relation to the amount at risk.

Sensitivity analysis

A 5 % strengthening of Pak Rupees against the above currency would have decreased equity and decrease in Profit & Loss Account by NIL (2015 : NIL). This analysis assumes that all other variables were held constant.

A 5 % weakening of Rupee would have an equal but opposite effect.

The sensitivity analysis prepared is not necessarily indicative of the effect on loss for the year and assets / liabilities of the Company.

28.3.2 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to equity price risk since it has investments in quoted and unquoted equity securities amounting to Rs. 77,282,212 /- (2015 : Rs. 56,866,793/-) at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable. Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in Internal risk management and investment policies.

The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the balance sheet date except for, unquoted investments which are carried at cost. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

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