

**RAHAT SECURITIES LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Independent Auditor's Report to the members of RAHAT SECURITIES LIMITED**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the annexed financial statements of **RAHAT SECURITIES LIMITED**, which comprise the statement of financial position as at June 30, 2018, and the profit or loss and statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit or loss and statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the loss, total comprehensive loss, the changes in equity and its cash flows for the year then ended.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the Directors' Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the profit or loss and statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980); and
- e) the company has duly complied with the requirements of Section 78 of the Securities Act, 2015, and relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at June 30, 2018.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Amin.



CHARTERED ACCOUNTANTS

Lahore:

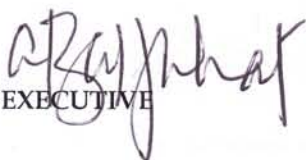
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RAHAT SECURITIES LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	6	3,937,343	4,556,245
Intangible assets	7	9,420,000	10,248,000
Long term investment	8	7,072,000	7,072,000
Long term loans and advances	9	46,220,000	39,600,000
Long term deposits	10	2,378,434	2,344,660
		<u>69,027,777</u>	<u>63,820,905</u>
<b>CURRENT ASSETS</b>			
Account receivables	11	11,738,583	19,354,973
Loan and advances	12	237,542	205,432
Investment at fair value through profit and loss	13	61,281,469	65,391,239
Trade deposits, short term prepayments and current account balance with statutory authorities	14	6,241,734	5,587,913
Cash and bank balances	15	34,224,406	48,532,127
		<u>113,723,734</u>	<u>139,071,684</u>
		<u>182,751,511</u>	<u>202,892,589</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	16	37,500,000	37,500,000
Un-appropriated profit		109,121,910	119,588,198
		<u>146,621,910</u>	<u>157,088,198</u>
<b>NON CURRENT LIABILITIES</b>			
Deferred taxation	17	-	-
<b>CURRENT LIABILITIES</b>			
Deposits, accrued liabilities and advances	18	1,325,764	423,448
Trade and other payables	19	34,803,837	45,380,943
		<u>36,129,601</u>	<u>45,804,391</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	20	-	-
		<u>182,751,511</u>	<u>202,892,589</u>

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

CHIEF EXECUTIVE



DIRECTOR



**RAHAT SECURITIES LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
Brokerage and commission	21	5,556,750	9,931,744
Capital gain on marketable securities		36,687	1,358,089
		5,593,437	11,289,833
Direct cost	22	(767,081)	(1,210,407)
		4,826,356	10,079,426
Operating expenses	23	(9,887,645)	(9,138,452)
Other operating expenses	24	(5,591,268)	(4,621,138)
Other income	25	1,037,020	27,819,581
		(14,441,893)	14,059,991
<b>(LOSS) / PROFIT FROM OPERATIONS</b>		(9,615,537)	24,139,417
Finance cost	26	(19,321)	(17,590)
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		(9,634,858)	24,121,827
Taxation	27	(831,430)	(366,954)
<b>(LOSS) / PROFIT FOR THE YEAR</b>		<u>(10,466,288)</u>	<u>23,754,873</u>
<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>	28	<u>(2.79)</u>	<u>8.78</u>

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

  
CHIEF EXECUTIVE

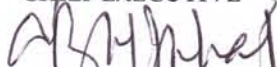
  
DIRECTOR

RAHAT SECURITIES LIMITED  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2018

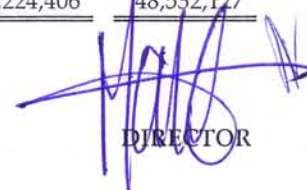
	Note	2018 Rupees	2017 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/Profit before taxation		(9,634,858)	24,121,827
<b>Adjustments of items not involving movements of cash:</b>			
Depreciation	6	802,953	502,172
Impairment loss on TRE Certificate	25	828,000	-
loss/(surplus) on remeasurement of investment at fair value through profit and loss	13	4,741,309	(27,051,629)
Gain on sale of fixed asset		(15,349)	-
		<u>6,356,913</u>	<u>(26,549,457)</u>
<b>Operating cash Flows Before Working capital changes</b>		<b>(3,277,945)</b>	<b>(2,427,630)</b>
<b>(Increase) / Decrease in Working Capital</b>			
<b>(Increase) / decrease in current assets</b>			
Account receivables		7,616,390	(4,982,926)
Loan and Advances		(32,110)	58,325
Trade deposits and short term prepayments		(611,346)	(56,814)
<b>Increase / (decrease) in current liabilities</b>			
Deposits, accrued liabilities and advances		902,316	-
Trade and other payables		(10,577,107)	20,282,528
		<u>(2,701,857)</u>	<u>15,301,113</u>
<b>Cash Generated From Operations</b>		<b>(5,979,802)</b>	<b>12,873,483</b>
Taxes paid		(873,906)	(1,508,723)
<b>Net cash Flows From Operating Activities</b>		<b>(6,853,708)</b>	<b>11,364,760</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(193,700)	(3,187,460)
Short term investments		(631,539)	4,266,626
Long term loans and advances		(6,620,000)	(7,900,000)
Proceeds from sale of fixed asset		25,000	-
Long term deposits		(33,774)	(501,296)
<b>Net cash Flows From Investing Activities</b>		<b>(7,454,013)</b>	<b>(7,322,130)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Shares issued during the year		-	12,500,000
<b>Net Cash Flows From Financing Activities</b>		<b>-</b>	<b>12,500,000</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(14,307,721)</b>	<b>16,542,630</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>48,532,127</b>	<b>31,989,497</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>A</b>	<b><u>34,224,406</u></b>	<b><u>48,532,127</u></b>
<b>A Cash and Cash Equivalents</b>			
Cash and bank balances	15	34,224,406	48,532,127
		<u>34,224,406</u>	<u>48,532,127</u>

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

CHIEF EXECUTIVE



DIRECTOR



**RAHAT SECURITIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Paid up capital	Un-appropriated profit	Total
	----- (R u p e e s) -----		
Balance as at June 30, 2016	25,000,000	95,833,325	120,833,325
Share capital issued	12,500,000	-	12,500,000
Profit after taxation	-	23,754,873	23,754,873
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	23,754,873	23,754,873
<b>Balance as at June 30, 2017</b>	<b>37,500,000</b>	<b>119,588,198</b>	<b>157,088,198</b>
Loss after taxation	-	(10,466,288)	(10,466,288)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(10,466,288)	(10,466,288)
<b>Balance as at June 30, 2018</b>	<b>37,500,000</b>	<b>109,121,910</b>	<b>146,621,910</b>

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

  
 CHIEF EXECUTIVE

  
 DIRECTOR

**RAHAT SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**1 COMPANY AND ITS OPERATION**

The company is a public company incorporated in Pakistan under the repealed Companies Ordinance 1984. The registered office of the company is situated in room 617-618 Lahore Stock Exchange Building, 19 Khayaban-e-Aiwan-Iqbal Road, Lahore. The branch office of the company is located at 17-Cantonment Board Shopping Plaza, Tufail Road, Lahore Cantt.

The company is Trading Right Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange and has also acquired membership of Pakistan Merchantile Exchange Limited. The Principle activity of the Company is financial consultancy, brokerage, underwriting, portfolio management / acquisition of securities and securities research.

**2 BASIS OF PREPARATION**

**2.1 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2 ACCOUNTING CONVENTION**

These financial statements have been prepared under the historical cost convention except as stated hereafter in the relevant accounting policies. Further accrual basis of accounting is followed in the preparation of these financial statements except for cash flow information.

**2.3 FUNCTIONAL AND PRESENTATION CURRENCY**

The financial statements are presented in Pakistani Rupee, which is the company's functional and presentation currency.

**2.4 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the

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 affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments and estimates made by management that may have a significant risk of material adjustments to the financial statements in subsequent years are as follows:

- Estimation of provision against doubtful trade debts
- Valuation of investment in ordinary shares of LSE Financial Services Limited.
- Useful life of depreciable assets
- Intangible assets
- Taxation

### **3 NEW STANDARDS, AMENDMENTS TO APPROVED ACCOUNTING STANDARDS AND NEW INTERPRETATIONS**


#### **3.1 AMENDMENTS TO APPROVED ACCOUNTING STANDARDS AND INTERPRETATIONS WHICH ARE EFFECTIVE DURING THE YEAR ENDED JUNE 30,**

The third and fifth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fifth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, particulars of immovable assets of the Company, change in threshold for identification of executives, additional disclosure requirements for related parties etc.

The other amendments to published standards and interpretations that were mandatory for the Company's financial year ended June 30, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and therefore not disclosed in these financial statements.

#### **3.2 New standards, amendments to approved accounting standards and interpretations that are effective for the Company's accounting periods beginning on or after July 1, 2018**

There are certain new standards, amendments to the approved accounting standards and interpretations that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2018. However, these amendments and interpretations will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements. Further during the current year the Securities and Exchange Commission of Pakistan (the SECP) has adopted IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Customers' and IFRS 16 'Leases'. IFRS 9 and IFRS 15 are applicable for the Company's financial reporting period beginning on July 1, 2018 while IFRS 16 is applicable for the reporting period beginning on July 1, 2019. At present, the impacts of application of these IFRSs on the Company's future financial statements are being assessed. Further, IFRS 17 'Insurance contracts' is yet to be adopted by the SECP.



## **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **4.1 PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost less accumulated depreciation.

Depreciation is charged on reducing balance method at the rates mentioned in note no.6. Depreciation on additions is charged for the month in which an asset is acquired while no depreciation is charged for the month in which an asset is disposed off. Normal repair and maintenance is charged to revenue as and when incurred, while major renewals and replacements are capitalized.

Gain or loss on disposal of property and equipment, if any is taken to profit and loss account.

### **4.2 INTANGIBLE ASSETS**

Intangible assets with finite useful life are stated at cost less amortization and impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where carrying value exceeds estimated recoverable amount, it is written down to estimated recoverable amount.

#### **4.2.1 Membership card and offices**

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

### **4.3 FINANCIAL ASSETS**

Financial assets are classified in the following categories: Held-to-maturity, at fair value through profit or loss, available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### **4.3.1 Held to Maturity**

The investments with fixed maturity, if any, that the company has to positive intent and ability to hold to maturity. Held to maturity investments are initially measured at fair value plus transaction costs and are subsequently stated at amortized cost using the effective interest rate method less impairment, if any. These are classified as current and non-current assets in accordance with criteria set out by IFRSs.

#### **4.3.2 At fair value through profit and loss**

Investments classified as held for trading are included in the category of financial assets at fair value through profit and loss. These are listed securities that are acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin.

All investments are initially recognized at cost, being the fair value of the consideration given excluding acquisition charges with the investment. After initial recognition, investments are measured at their fair values. Unrealized gains and losses on investments are recognized in profit and loss account of the period.

Fair values of these securities representing listed equity and debt securities are determined by reference to stock exchange quoted market prices at the close of the business on balance sheet date.

#### **4.3.3 Available-for-sale**

Available for sale financial assets are non derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months of the balance sheet date.

#### **4.3.4 Loans and Receivables**

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

### **4.4 FINANCIAL LIABILITIES**

Financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently carried at amortized cost using effective interest rate method.

### **4.5 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

A financial asset and a financial liability is only offset and the net amount is reported in the balance sheet date, where there is a legal enforceable right to set off the recognized amount and the company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also accordingly offset.

### **4.6 LONG TERM DEPOSITS**

These are stated at cost which represent the fair value of consideration given.

### **4.7 TRADE DEBTS AND OTHER RECEIVABLES**

Trade and other receivables are recognised and carried at transaction price less an allowance for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the statement of profit or loss. Bad debts are written-off in the statement of profit or loss on identification.

The allowance for doubtful debts of the Company is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables.

### **4.8 CASH AND CASH EQUIVALENTS**

Cash and Cash equivalents are carried at cost. For the purpose of cash flow statement cash and cash equivalents comprise cash in hand, bank balances and running finances.

#### 4.9 SHARE CAPITAL

Ordinary shares are classified as equity and recognized at their face value.

#### 4.10 BORROWINGS

Borrowings that are acquired for long term financing are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### 4.11 TAXATION

##### Current

Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits, brought forward losses, accelerated depreciation allowances and any minimum limits imposed by the taxation laws.

##### Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognized for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset may be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted by the balance sheet date.

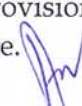
Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to comprehensive income or equity, in which case it is included in comprehensive income or equity.

#### 4.12 TRADE AND OTHER PAYABLES

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

#### 4.13 PROVISIONS

Provisions are recognized when the company has a legal or constructive obligation as a result of past events and it is probable that an out flow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.



Contingent assets are not recognized and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognized and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

#### **4.14 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION**

Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into functional currency using the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

#### **4.15 IMPAIRMENT**

The Company assesses at each reporting date whether there is any indication that operating fixed assets may be impaired. If such an indication exists, the carrying amounts of the related assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is charged to the profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

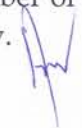
#### **4.16 REVENUE RECOGNITION**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognized on the following basis:

- Brokerage, consultancy and advisory fee, commission etc. are recognized as and when such services are provided.
- Profit on saving accounts, Profit on exposure deposits and markup on marginal financing is recognized at effective yield on time proportion basis.
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Dividend income is recorded when the right to receive the dividend is established.
- Unrealized capital gains / (losses) arising from mark to market of investments classified as at financial assets at fair value through profit or loss are included in profit and loss account for the period in which they arise.
- Other revenues are recorded, as and when due, on accrual basis.

#### **4.17 BASIC AND DILUTED EARNINGS PER SHARE**

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.



#### **4.18 RELATED PARTY TRANSACTIONS**

Transactions and contracts with the related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method. Transactions with related parties have been disclosed in the relevant notes to the financial statements.

#### **4.19 TRADE DATE ACCOUNTING**

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

#### **5 SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING PERIOD**

During the current year, economic and political scenarios' deterioration had drastic adverse effects on the performance of the equity market, depressing sentiments in the investment climate and subsequently adversely effected volumes, resultantly our short term investment portfolio yielded very low profits.

We refer to profit and loss account and notes to the financial statements for understanding of performance of the company.



6 Property and equipment

Particulars	Cost			Depreciation			WDV As at June 30, 2018		
	As at June 30, 2018	Additions	(Deletions)	As at June 30, 2018	Rate %	Charge for the year		Transferred during the year	As at June 30, 2018
-----R u p e e s-----									
<b>OWNED</b>									
Furniture and fittings	1,149,417	-	-	1,149,417	10	27,004	-	906,383	243,034
Vehicles	3,855,460	42,700	(65,000)	3,833,160	20	594,300	(55,349)	1,462,866	2,370,294
Office equipment	4,578,400	32,000	-	4,610,400	10	119,900	-	3,517,218	1,093,184
Computers	2,322,436	119,000	-	2,441,436	30	61,749	-	2,210,605	230,831
	<b>11,905,713</b>	<b>193,700</b>	<b>(65,000)</b>	<b>12,034,413</b>		<b>802,953</b>	<b>(55,349)</b>	<b>8,097,072</b>	<b>3,937,343</b>

6.1 Addition in vehicles represents motorcycle purchased during the year amounting Rs. 42,700. Title of the said vehicle has been transferred in the name of the company subsequent to the year end.

6.2 Property and equipment

Particulars	Cost			Depreciation			WDV As at June 30, 2017		
	As at June 30, 2017	Additions	(Deletions)	As at June 30, 2017	Rate %	Charge for the year		Transferred during the year	As at June 30, 2017
-----R u p e e s-----									
<b>OWNED</b>									
Furniture and fittings	1,149,417	-	-	1,149,417	10	30,004	-	879,379	270,038
Vehicles	727,000	3,128,460	-	3,855,460	20	276,653	-	923,915	2,931,545
Office equipment	4,578,400	-	-	4,578,400	10	131,231	-	3,397,318	1,181,082
Computers	2,263,436	59,000	-	2,322,436	30	64,284	-	2,148,856	173,580
	<b>8,718,253</b>	<b>3,187,460</b>	<b>-</b>	<b>11,905,713</b>		<b>502,172</b>	<b>-</b>	<b>7,349,468</b>	<b>4,556,245</b>

	Note	2018 Rupees	2017 Rupees
<b>7 INTANGIBLE ASSETS</b>			
Trading right entitlement certificate	7.1	3,328,000	3,328,000
Less: Impairment loss		828,000	-
		2,500,000	3,328,000
Membership of Pakistan Merchantile Exchange Limited		250,000	250,000
Rights of rooms		5,870,000	5,870,000
Membership of Royal Palm Country Club		800,000	800,000
		<u>9,420,000</u>	<u>10,248,000</u>

7.1 It represents Trading Right Entitlement Certificate (TREC) received from the Pakistan Stock Exchange Limited without any additional payment, in lieu of TREC issued by the Lahore Stock Exchange Limited, surrendered on, January 10, 2016 on the consequence of Scheme(s) of Integration approved by the Securities and Exchange Commission of Pakistan vide Order No. 01/2016 dated January 11, 2016 under regulation 6 (8) of the Stock Exchange (Corporatization, Demutualization and Integration) Regulations, 2012. The Trading Right entitlement certificate is pledged/mortgaged with the Pakistan Stock Exchange Limited as a collateral for running the brokerage business and to meet partly, the Base Minimum Capital Requirement. It is carried at cost less impairment.

During the year, the company has measured the TREC at its notional value of Rs. 2.5 million as per the notice no. PSX/N-7178 dated November 10, 2017 of Pakistan Stock Exchange Limited. The company has recorded impairment in the financial statements accordingly .

	Note	2018 Rupees	2017 Rupees
<b>8 LONG TERM INVESTMENT</b>			
<b>Unquoted - Shares of LSE Financial Services Limited:</b>			
<i>Available for sale investment</i>			
Cost as at July 01,	8.1	7,072,000	7,072,000
Less: Impairment		-	-
		<u>7,072,000</u>	<u>7,072,000</u>

8.1 Pursuant to the promulgation of the Stock Exchanges (Corporation, Demutualization and Integration) Act, 2012 (The Act), The Lahore Sock Exchange Limited, now LSE Financial Services Limited had allotted 843,975 shares of the face value of Rs. 10 each to the TREC holder. All shares are held in freeze status in the respective CDC sub-account of the TREC holder. The divestment of the same was to be made in accordance with the requirements of the Act within one year from the date of Scheme(s) of Integration approved by the Securities and Exchange Commission of Pakistan vide Order No. 01/2016 dated January 11, 2016 under regulation 6 (8) of the Stock Exchange (Corporatization, Demutualization and Integration) Regulations, 2012. The Company has pledged 843,975 shares of LSE Financial Services Limited with the Pakistan Stock Exchange Limited to fulfill the Base Minimum Capital requirement. Under the current circumstances where active market is not available for such shares net Asset Value has been considered for impairment testing.

*AN*



	Note	2018 Rupees	2017 Rupees
<b>9 LONG TERM LOANS AND ADVANCES</b>			
Advance against room in NCEL building		2,500,000	2,500,000
Advances to directors against office building	9.1	43,720,000	37,100,000
		<u>46,220,000</u>	<u>39,600,000</u>

**9.1 Movement during the period**

Opening balance		37,100,000	29,200,000
Add: Paid during the year		6,620,000	7,900,000
		<u>43,720,000</u>	<u>37,100,000</u>

**9.2** The company has purchased office premises amounting Rs. 50.00 million (2017: Rs 50.00 million) from the directors of the Company Chaudry Muhammad Akhtar, Chaudry Muhammad Arshad, Chaudry Muhammad Amjad and Chaudry Muhammad Afzal on installment basis. The title of the premises would be transferred in the name of the company on full payment of installments.

	Note	2018 Rupees	2017 Rupees
<b>10 LONG TERM DEPOSITS</b>			
<b>Deposits with:</b>			
National Clearing Company of Pakistan Ltd.		500,000	500,000
Pakistan Merchantile Exchange Ltd.		1,708,434	1,674,660
Central Depository Company of Pakistan Ltd.		100,000	100,000
Others		70,000	70,000
		<u>2,378,434</u>	<u>2,344,660</u>

**11 ACCOUNT RECEIVABLES**

Receivable from:

Pakistan Merchantile Exchange Limited		4,343,295	4,217,113
Clients on account of purchase of shares		12,038,385	19,296,426
Less: Provision for doubtful debts	11.1	4,643,097	4,621,138
		7,395,288	14,675,288
National Clearing Company of Pakistan		-	462,572
		<u>11,738,583</u>	<u>19,354,973</u>

**11.1 Movement is as follows**

Opening Balance		4,621,138	-
Add: Provision made during the year		21,959	4,621,138
		<u>4,643,097</u>	<u>4,621,138</u>

		Note	2018 Rupees	2017 Rupees
<b>Aging analysis</b>				
11.2	Upto five days		307,060	6,606,435
	More than five days		7,088,228	8,068,853
			<u>7,395,288</u>	<u>14,675,288</u>

11.3 Receivable from clients on account of purchase of shares include the following balances due from the following related parties:

Name of related party	Basis of relationship	Maximum aggregate amount Rupees	2018 Rupees	2017 Rupees
Ch. Muhammad Akhtar	Director	3,852,852	435,301	6,069,074
Ch. Muhammad Amjad	Director	6,007	6,007	-
Mr. Rafay Ahmad	Close family member of Chief Executive	358,943	-	263,805
			<u>441,308</u>	<u>6,332,879</u>

## 12 LOANS AND ADVANCES

(Unsecured but considered good)

Advances to:

Director	12.1	122,838	128,838
Employees		114,704	76,594
		<u>237,542</u>	<u>205,432</u>

### 12.1 Advances to director-Mr. Arif Mehmood

Balance as at July 01,	128,838	134,338
Add: Loans and advances given during the year	-	5,000
Less: Repayments during the year	6,000	10,500
	<u>122,838</u>	<u>128,838</u>

12.2 This represents short term advance obtained by the director of the company. As per terms of repayment of the advance, it would be settled within the next twelve months from the balance sheet date. Maximum aggregate balance outstanding during the year was Rs. 128,838.

	2018 Rupees	2017 Rupees
<b>13 INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS</b>		
<b>Investment in listed securities</b>		
Carrying value	66,022,778	38,339,610
(Loss)/Gain on remeasurement of investment at fair value	<u>(4,741,309)</u>	<u>27,051,629</u>
	<u>61,281,469</u>	<u>65,391,239</u>

This includes shares having carrying value of Rs. 5,015,712 (2017: Rs. 11,246,465) pledged with National Clearing Company of Pakistan Ltd.

	Note	2018 Rupees	2017 Rupees
<b>14 TRADE DEPOSITS, SHORT TERM REPAYMENTS AND CURRENT ACCOUNT BALANCE WITH STATUTORY AUTHORITIES</b>			
<b>Deposits with:</b>			
National Clearing Company of Pakistan Ltd.	14.1	1,000,000	200,000
Pakistan Mercantile Exchange Ltd.		135,943	135,943
		1,135,943	335,943
Tax deducted at source		5,105,791	5,063,316
Prepayments		-	188,654
		<u>6,241,734</u>	<u>5,587,913</u>

14.1 This represents deposit with National Clearing Company of Pakistan Limited against exposure margin in respect of trade in ready market. These deposits carry profit at rates ranging from 2.8% to 3.8% (2017: 2.75% to 3.1%) per annum.

	Note	2018 Rupees	2017 Rupees
<b>15 CASH AND BANK BALANCES</b>			
These were held as under:			
Cash in hand		175,635	76,275
Cash at bank			
in current accounts:			
Pertaining to brokerage house		3,537,733	7,263,272
Pertaining to clients		30,511,038	41,192,580
	15.1	34,048,771	48,455,852
		<u>34,224,406</u>	<u>48,532,127</u>

15.1 This includes balance amounting Rs. 537,432 (2017: Rs. 757,242) and Rs. 21,928 (2017: Rs. 1,783) pertaining to client group account and proprietary account in Pakistan Mercantile Exchange Limited.

	Note	2017 Rupees	2016 Rupees
<b>16 SHARE CAPITAL</b>			
<b>Authorized</b>			
5,000,000 (2017: 5,000,000) ordinary shares of Rs.10 each		<u>50,000,000</u>	<u>50,000,000</u>
<b>Issued, subscribed and paid up</b>			
3,750,000 (2017: 3,750,000) ordinary shares of Rs.10 each fully paid in cash		<u>37,500,000</u>	<u>37,500,000</u>

**17 Pattern of Shareholding:**

Categories of shareholders	% age of Shares Held		Number of Shares Held	
	2018	2017	2018	2017
<b>Individual</b>				
<b>Chief Executive officer (CEO):</b>				
Ch. Muhammad Afzal	21.71%	21.71%	814,250	814,250
<b>Directors:</b>				
Ch. Muhammad Ashraf	11.11%	11.11%	416,750	416,750
Ch. Muhammad Arshad	20.07%	20.07%	752,500	752,500
Ch. Muhammad Akhtar	20.70%	20.70%	776,250	776,250
Ch. Muhammad Amjad	20.70%	20.70%	776,250	776,250
Mrs. Mina Arshad Ch.	2.44%	2.44%	91,500	91,500
Mr. Arif Mehmood	0.48%	0.48%	18,000	18,000
<b>Shareholders:</b>				
<b>All other than Directors and Chief Executive</b>				
Mrs. Humaira Afzal	0.13%	0.13%	5,000	5,000
Mr. Ahmed Erbaz Riaz	0.03%	0.03%	1,000	1,000
Mr. Shafique Ahmed	0.48%	0.48%	18,000	18,000
Mr. Amir Rauf Majeed	0.48%	0.48%	18,000	18,000
Mr. Ishtiaq Ahmed	0.48%	0.48%	18,000	18,000
Ch. Imran Bashir	0.48%	0.48%	18,000	18,000
Mr. Akhtar Ali	0.48%	0.48%	18,000	18,000
Mr. Shafqat Ali	0.23%	0.23%	8,500	8,500
	<u>100%</u>	<u>100%</u>	<u>3,750,000</u>	<u>3,750,000</u>

17 DEFERRED TAXATION	Note	2018 Rupees	2017 Rupees
Deferred credits/(debits) arising due to:			
Accelerated tax depreciation		57,489	200,079
Provision for doubtful debts		(402,687)	-
Brought forward losses		(3,332,272)	(4,854,516)
Minimum tax		(108,465)	-
		<u>(3,785,935)</u>	<u>(4,654,437)</u>
Balance as at July 01,		-	-
Add: Charge for the year		-	-
		<u>-</u>	<u>-</u>

At the year end net deductible temporary differences amounting Rs. 12,789,396 (2017: Rs. 15,514,787) which results in a net deferred tax asset of Rs. 3,785,935 (2017: 4,654,437). However, deferred tax asset has not been recognized in these financial statements being prudent. Management is of the view that recognition of deferred tax asset shall be reassessed as at June 30, 2019.

18 DEPOSITS, ACCRUED LIABILITIES AND ADVANCES	Note	2018 Rupees	2017 Rupees
Accrued expenses	18.1	<u>1,325,764</u>	<u>423,448</u>

18.1 It includes remuneration payable to chief executive and directors of the company as follows:

Name	2018 Rupees	2017 Rupees
Ch. Muhammad Afzal	30,000	-
Ch. Muhammad Arshad	30,000	-
Ch. Muhammad Akhtar	30,000	-
Ch. Muhammad Amjad	30,000	-
Mrs. Mina Arshad Chaudhary	29,000	-
Mr. Arif Mehmood	14,675	-
	<u>163,675</u>	<u>-</u>

#### 19 TRADE AND OTHER PAYABLES

Creditors for sale of shares on behalf of clients	19.1& 19.2	28,335,608	41,163,830
Creditors-PMEX		4,343,295	4,217,113
Payable to National Clearing Company of Pakistan Ltd.		2,123,835	-
Tax deducted at source payable		1,099	-
		<u>34,803,837</u>	<u>45,380,943</u>

19.1 The total value of securities pertaining to clients are Rs. 803,862,252 (2017: Rs. 529,981,312) held in sub-accounts of the company. No client security is pledged with the financial institutions except with National Clearing Company of Pakistan Ltd. amounting Rs. 2,565,950 (2017:Rs. 156,100) for exposure margin.

19.2 Creditors for sale of shares on behalf of clients include the following amount due from the following related parties:

Name of related party	Basis of relationship	2018 Rupees	2017 Rupees
Ch. Muhammad Amjad	Director	-	14,878
Mr. Rafay Ahmad	Close family member of Chief Executive	7,212	-
		<u>7,212</u>	<u>14,878</u>

## 20 CONTINGENCIES AND COMMITMENTS

### 20.1 Contingencies

Contingencies as at balance sheet date were Rs. nil ( 2017: Rs. nil).

### 20.2 Commitments

Commitments in respect of capital expenditures as at June 30, 2018 were amounting Rs. 6.28 million (2017: Rs. 12.90 million)

## 21 BROKERAGE AND COMMISSION

		2018 Rupees	2017 Rupees
Proprietary customers		13,431	41,572
Retail customers	21.1	6,432,399	11,479,251
		6,445,830	11,520,823
Less: Sales tax		889,080	1,589,079
		<u>5,556,750</u>	<u>9,931,744</u>

21.1 Brokerage and commission earned from retail customers includes the following amounts of commission earned from related parties:

Name of related party	Basis of relationship	2018 Rupees	2017 Rupees
Ch. Muhammad Akhtar	Director	30,940	125,522
Ch. Muhammad Amjad	Director	129	899
Mr. Rafay Ahmad	Close family member of Chief Executive	-	-
		<u>3,231</u>	<u>16,645</u>
		<u>34,300</u>	<u>143,066</u>

	2018 Rupees	2017 Rupees
<b>22 DIRECT COST</b>		
<b>Charges paid to:</b>		
Pakistan Stock Exchange Ltd.	247,916	242,345
National Clearing Company of Pakistan Ltd.	90,535	106,294
Central Depository Company of Pakistan Ltd.	347,489	573,461
Commission paid	81,141	288,307
	<u>767,081</u>	<u>1,210,407</u>

**23 OPERATING EXPENSES**

Directors' remuneration	1,157,540	720,000
Staff salaries and benefits	4,219,405	4,309,916
Rent, rates and taxes	444,092	431,976
Communication expenses	536,659	498,698
Utility charges	304,959	313,872
Postage and courier charges	53,844	39,120
Printing and stationery	76,891	85,932
Repair and maintenance	255,968	178,824
Insurance	5,514	5,772
Legal and professional charges	409,775	260,750
Fee and subscription	281,499	731,080
Charity and donation	200,000	100,000
Books and newspapers	4,709	4,374
Entertainment	593,145	315,222
Travelling expenses	45,180	101,560
CDC and clearing house charges		
Vehicle running and maintenance	426,249	393,944
Advertisement	-	60,000
Depreciation	802,953	502,172
Others	69,263	85,240
	<u>9,887,645</u>	<u>9,138,452</u>

**23.1 Auditors' remuneration**

It includes auditor's remuneration as detailed below:

**Amin, Mudassar & Co.**

**Chartered Accountants**

Statutory audit	105,000	94,500
Certification fee	64,125	64,650
	<u>169,125</u>	<u>159,150</u>

	2018 Rupees	2017 Rupees
<b>24 OTHER OPERATING EXPENSES</b>		
Impairment loss on TREC certificate	828,000	-
Loss on remeasurement of investment at fair value through profit and loss	4,741,309	-
Provision for doubtful debts	21,959	4,621,138
	<u>5,591,268</u>	<u>4,621,138</u>
<b>25 OTHER INCOME</b>		
<b>Income from financial assets</b>		
Dividend income	994,353	699,777
Gain on remeasurement of investment at fair value through profit and loss	-	27,051,629
Interest Income	19,720	12,597
<b>Income from assets other than financial assets</b>		
Commission from initial public offering	3,599	55,578
Physical shares conversion charges	4,000	-
Gain on sale of fixed assets	15,349	-
	<u>1,037,020</u>	<u>27,819,581</u>
<b>26 FINANCE COST</b>		
Bank charges	19,321	17,590
<b>27 TAXATION</b>		
Income tax:		
-Current	828,528	345,209
-Prior year	2,902	21,745
-Deferred	-	-
	<u>831,430</u>	<u>366,954</u>
<b>27.1</b>	Income tax assessment of the Company has been finalized up to tax year 2017 on the basis of returns filed as the company did not receive any notice in this respect.	
<b>27.2</b>	No numeric tax rate reconciliation is presented for the current and prior year in these financial statements as the company is either liable to pay tax under final tax regime or minimum tax u/s 113 of Income Tax Ordinance, 2001.	
<b>28 EARNINGS PER SHARE - BASIC AND DILUTED</b>		
	2018	2017
(Loss)/Profit for the year-Rupees	<u>(10,466,288)</u>	<u>23,754,873</u>
Weighted average number of ordinary shares outstanding during the year-Numbers	<u>3,750,000</u>	<u>2,705,479</u>
Earnings per share-Rupees	<u>(2.79)</u>	<u>8.78</u>



29 NUMBER OF EMPLOYEES

	2018 ( N u m b e r )	2017
Total number of employees at the end of year	<u>17</u>	<u>16</u>
Average number of employees at the year end	<u>17</u>	<u>16</u>

30 REMUNERATION TO CHIEF EXECUTIVE AND DIRECTORS

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits to the chief executive and directors of the company is as follows:

	Chief Executive		Directors	
	2018	2017	2018	2017
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	<u>180,000</u>	<u>180,000</u>	<u>977,540</u>	<u>540,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>5</u>	<u>3</u>

The Chief Executive and directors are entitled to free use of cars according to the company

31 TRANSACTIONS WITH RELATED PARTIES

Significant transactions and balances with related parties have been disclosed in the relevant notes to the financial statements.

	2018 Rupees	2017 Rupees
<b>32 FINANCIAL INSTRUMENTS BY CATEGORY</b>		
<b>Financial assets and financial liabilities</b>		
<b>Financial assets</b>		
<b>Financial instruments- available for sale</b>		
Long term investment	<u>7,072,000</u>	<u>7,072,000</u>
<b>Investment at fair value through profit and loss</b>	<u>61,281,469</u>	<u>65,391,239</u>
<b>Loans and receivables</b>		
Long term deposits	2,378,434	2,344,660
Trade debts	11,738,583	19,354,973
Trade deposits and other receivables	1,135,943	335,943
Cash and bank balances	<u>34,224,406</u>	<u>48,532,127</u>
	<u>49,477,366</u>	<u>70,567,703</u>
<b>Financial liabilities</b>		
<b>Financial liabilities at amortized cost</b>		
Deposits, accrued liabilities and advances	1,325,764	423,448
Trade and other payables	<u>34,803,837</u>	<u>45,380,943</u>
	<u>36,129,601</u>	<u>45,804,391</u>

### 33 FINANCIAL RISK MANAGEMENT

33.1 The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest/mark-up rate risk and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous periods in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

#### a) 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, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties 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 economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

#### Exposure to Credit Risk

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, short term loans, deposits, receivable / payable against sale of securities and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery. The Company's management, as part of risk management policies and guidelines, reviews clients' financial position, considers past experience, obtain authorized approvals and arrange for necessary collaterals in the form of equity securities to reduce credit risks and other factors. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The carrying amount of financial assets represent the maximum credit exposure at the reporting date, which are detailed as follows:

PK

	Note	2018 Rupees	2017 Rupees
Long term investment		7,072,000	7,072,000
Investment at fair value through profit and loss		61,281,469	65,391,239
Long term deposits		2,378,434	2,344,660
Trade debts	33.1.1	11,738,583	19,354,973
Short term deposits		1,135,943	335,943
Bank balances	33.1.2	34,048,771	48,455,852
		<u>117,655,200</u>	<u>142,954,667</u>

33.1.1 The maximum exposure to credit risk for trade debts is due from local clients and the aging of trade debts at the reporting date was:

	2018 Rupees	2017 Rupees
Upto 1 month	5,164,687	6,036,396
1 to 6 months	639,190	101,287
More than 6 months	5,934,706	13,217,290
	<u>11,738,583</u>	<u>19,354,973</u>

### 33.1.2 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate exposure is significant in relation to the Company's total exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Geographically there is no concentration of credit risk.

The credit quality of Company's liquid funds can be assessed with reference to external credit ratings as follows:

	Note rating	2018 Rupees	2017 Rupees
Cash at banks	A1+	34,048,771	48,455,852
		<u>34,048,771</u>	<u>48,455,852</u>

### b) Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing 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 following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

2018			
Carrying Amount	Contractual Cash Flows	Maturity Upto One Year	Maturity After One Year
-----R u p e e s-----			
Deposits, accrued liabilities and advances	1,325,764	1,325,764	1,325,764
Trade and other payables	34,803,837	34,803,837	34,803,837
	36,129,601	36,129,601	36,129,601

2017			
Carrying Amount	Contractual Cash Flows	Maturity Upto One Year	Maturity After One Year
-----R u p e e s-----			
Deposits, accrued liabilities and advances	423,448	423,448	423,448
Trade and other payables	45,380,943	45,380,943	45,380,943
	45,804,391	45,804,391	45,804,391

### Liquidity Risk Management

The company's approach to managing 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

The company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the company ensures that it has sufficient cash on demand to meet expected operational cash flows, including serving of financial obligations. This includes maintenance of balance sheet liquidity ratios. Further, the company has the support of its sponsors in respect of any liquidity shortfalls.

#### c) Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the company's net profit or the fair value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

##### i) Foreign Currency Risk

Foreign currency risk arises mainly where receivables and payables exist due to transaction in foreign currency. Currently, the Company is not exposed to currency risk since there are no foreign currency transactions and balances at the reporting date.

*R*

## ii) 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. Presently, daily stock market fluctuation is controlled by government authorities with cap and floor of 5%. The restriction of floor prices reduces the volatility of prices of equity securities and the chances of market crash at any moment.

### Sensitivity Analysis

The table below summarizes Company's equity price risk as of 30 June 2017 and 2016 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices of investments through profit and loss as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Company's equity investment portfolio.

	Fair Value Rupees	Hypothetical Price Change	Estimated Fair Value After Hypothetical Change In Price Rupees	Hypothetical Increase/(Decrease) in Share Holders' Equity Rupees
June 30, 2018	61,281,469	10% increase	67,409,616	6,128,147
		10% decrease	55,153,322	(6,128,147)
June 30, 2017	65,391,239	10% increase	71,930,363	6,539,124
		10% decrease	58,852,115	(6,539,124)

## iii) Interest Rate Risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

The effective interest / mark-up rates in respect of financial instruments are mentioned in respective notes to the financial statements.

### Sensitivity Analysis

Currently, the Company is not exposed to any interest rate risk as it does not hold any mark up/interest bearing financial instrument exposed to interest rate risk at the reporting date.

### 33.2 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The estimated fair value of all financial assets and liabilities is considered not significantly different from book values as the items are either short - term in nature or periodically reprised.

International Financial Reporting Standard 13, 'Financial Instruments : Disclosure' requires the company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2) ; and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

	2018		
	Level 1	Level 2	Level 3
	-----Rupees-----		
<b>Financial assets</b>			
Investment at fair value through	61,281,469	-	-
Investments available for sale	-	7,072,000	-
	<u>61,281,469</u>	<u>7,072,000</u>	<u>-</u>

	2017		
	Level 1	Level 2	Level 3
	-----Rupees-----		
<b>Financial assets</b>			
Investment at fair value through profit and loss	65,391,239	-	-
Investments available for sale	-	7,072,000	-
	<u>65,391,239</u>	<u>7,072,000</u>	<u>-</u>

### 33.3 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings:

	2018 Rupees	2017 Rupees
Total borrowings	-	-
Total equity	<u>146,621,910</u>	<u>157,088,198</u>
Total Capital	<u>146,621,910</u>	<u>157,088,198</u>
Gearing Ratio	<u>0%</u>	<u>0%</u>

### 34 OPERATING SEGMENT

34.1 These financial statements have been prepared on the basis of a single reportable segment which is consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

34.2 All non-current assets of the Company as at June 30, 2018 are located in Pakistan.

35 **CORRESPONDING FIGURES**

The corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of the Companies Act, 2017 and for the purposes of comparison and better presentation. Following major reclassification has been made:

Reclassification from statement of financial position	Reclassification to statement of financial position	2017 Rupees
Trade and other payables	Deposits, accrued liabilities and advances	423,448

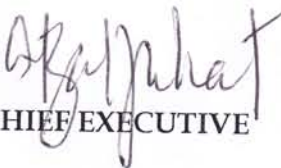
36 **GENERAL**

Figures have been rounded off to the nearest of rupee.

37 **DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorized for issue on \_\_\_\_\_ by the  
Board of Directors of the Company.

12 SEP 2018

  
CHIEF EXECUTIVE

  
DIRECTOR