

ISMAIL IQBAL SECURITIES (PRIVATE) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017



BAKER TILLY
MEHMOOD IDREES
QAMAR
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ISMAIL IQBAL SECURITIES (PRIVATE) LIMITED** as at **June 30, 2017** and the related profit and loss account and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, (*here-in-after referred to as the financial statements*) 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;
 - 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.

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BAKER TILLY
MEHMOOD IDREES
QAMAR
CHARTERED ACCOUNTANTS

- 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 and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standard 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, 2017, and of the profit for the year then ended; and
- d) in our opinion no Zakat was deducted at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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Baker Tilly Mehmood Idrees Qamar
Engagement Partner: Muhammad Aqeel Ashraf Tabani

Karachi.

Date: 06 OCT 2017

ISMAIL IQBAL SECURITIES (PRIVATE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
ASSETS			
Non - Current Assets			
Operating assets	4	23,896,777	19,245,251
Intangible assets	5	5,240,000	9,800,000
Investment	6	10,200,000	25,500,000
Long term loans and advances	7	-	526,584
Long term deposits	8	3,059,944	2,520,565
		42,396,721	57,592,400
Current Assets			
Short term investment	9	193,300,121	132,541,599
Trade debts	10	122,167,598	124,118,312
Advances, deposits, prepayments and other receivables	11	293,583,920	111,817,802
Cash and bank balances	12	68,176,846	56,063,736
		677,228,485	424,541,449
TOTAL ASSETS		719,625,206	482,133,849
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Authorized Share Capital			
35,000,000 (2016: 35,000,000) Ordinary shares of Rs. 10/- each		350,000,000	350,000,000
Issued, Subscribed and Paid up Share Capital			
34,682,360 (2016: 34,682,360) Ordinary shares of Rs. 10/- each	13	346,823,600	346,823,600
Accumulated profit / (loss)		108,563,591	(75,361,626)
Total shareholders' equity		455,387,191	271,461,974
Non - Current Liabilities			
Liabilities against assets subject to finance lease	14	3,406,746	2,144,418
Deferred liability - staff gratuity	15	2,098,841	1,675,884
		5,505,587	3,820,302
Current Liabilities			
Trade and other payables	16	121,717,643	62,599,000
Accrued mark-up		2,863,543	2,395,063
Short term borrowings - secured	17	130,498,849	138,962,878
Current portion of liabilities against assets subject to finance lease	14	3,652,393	2,894,632
		258,732,428	206,851,573
CONTINGENCIES AND COMMITMENTS	18	-	-
		719,625,206	482,133,849

The annexed notes 1 to 33 form an integral part of these financial statements

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Chief Executive Officer

Director

ISMAIL IQBAL SECURITIES (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
Operating revenue	19	253,061,500	79,010,574
Operating expenses	20	(58,850,421)	(47,610,201)
Operating profit		194,211,079	31,400,373
Financial charges	21	(14,537,828)	(10,280,739)
Other income	22	19,248,941	8,898,869
Profit before taxation		198,922,192	30,018,503
Taxation	23	(14,996,975)	(6,102,524)
Profit after taxation		183,925,217	23,915,979
Other comprehensive income		-	-
Total comprehensive income for the year		183,925,217	23,915,979
Earnings per share	24	5.30	0.69

The annexed notes 1 to 33 form an integral part of these financial statements

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Chief Executive Officer


Director

ISMAIL IQBAL SECURITIES (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		198,922,192	30,018,503
Adjustments for non cash charges and other items			
Depreciation		6,429,097	2,763,627
Amortization of intangible assets		60,000	81,417
Financial charges		14,537,828	10,280,739
Dividend income		(14,273,778)	(5,680,593)
Gratuity expense		741,628	751,215
Impairment loss		4,500,000	-
Loss / (gain) on disposal of property, plant and equipment		50,898	(325,000)
Unrealised gain on re-measurement of short term investments		(14,546,524)	(842,611)
		(2,500,851)	7,028,794
Operating profit before working capital changes		196,421,341	37,047,297
(Increase) / decrease in current assets			
Trade debts		1,950,714	20,569,208
Short term investments		(46,211,998)	17,999,938
Advances, deposits, prepayments and other receivables		(167,724,495)	(32,528,400)
		(211,985,780)	6,040,746
Increase / (decrease) in current liabilities			
Trade and other payables		59,118,643	(20,299,806)
Cash generated from operations		43,554,204	22,788,237
Taxes paid - net		(29,038,598)	(11,458,629)
Gratuity paid		(318,671)	(912,821)
Financial charges paid		(14,069,348)	(11,898,624)
Net cash inflow / (used in) from operating activities		127,587	(1,481,837)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from trading investments		14,273,778	5,680,593
Additions in property, plant and equipment		(11,208,540)	(893,744)
Additions in intangible assets		-	(375,000)
Proceeds from disposal of operating assets		77,018	325,000
Investment		15,300,000	-
Long term advances		526,584	(376,493)
Long term deposits		(539,379)	(214,000)
Net cash inflow from investing activities		18,429,461	4,146,356
CASH FLOWS FROM FINANCING ACTIVITIES			
Liabilities against assets subject to finance lease		2,020,090	(3,586,634)
Net cash inflow from / (used in) financing activities		2,020,090	(3,586,634)
Net increase / (decrease) in cash and cash equivalents		20,577,138	(922,115)
Cash and cash equivalents at the beginning of the year		(82,899,142)	(81,977,028)
Cash and cash equivalents at the end of the year	25	(62,322,003)	(82,899,142)

The annexed notes 1 to 33 form an integral part of these financial statements



Chief Executive Officer




Director

ISMAIL IQBAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

	Issued, subscribed and paid up share capital	Accumulated (Loss) / Profit	Total
	Rupees		
Balance as at July 01, 2015	346,823,600	(99,277,605)	247,545,995
Total comprehensive income for the year ended June 30, 2016	-	23,915,979	23,915,979
Balance as at June 30, 2016	346,823,600	(75,361,626)	271,461,974
Total comprehensive income for the year ended June 30, 2017		183,925,217	183,925,217
Balance as at June 30, 2017	<u>346,823,600</u>	<u>108,563,591</u>	<u>455,387,191</u>

The annexed notes 1 to 33 form an integral part of these financial statements

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Chief Executive Officer


Director

ISMAL IQBAL SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2017

1. STATUS AND NATURE OF BUSINESS

The company is incorporated as a private company limited by shares under the Companies Ordinance, 1984 (the Ordinance) and is a holder of the Trading Right Entitlement Certificate (TREC) of the Pakistan Stock Exchange Limited. It is principally engaged in the business of brokerage of shares and securities, investment advisory services, portfolio management and securities research. The registered office of the company is situated at 17 - Bangalore Town, Shahrah-e-Faisal, Karachi, Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These financial statements have been prepared under the historical cost convention, except for short term investments in quoted securities which are stated at fair value.

These financial statements comprise balance sheet, profit and loss account, cash flow statement, statement of changes in equity and notes to the financial statements and have been prepared under the accrual basis of accounting except for cash flow information.

2.2 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Company Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as are notified under the provisions of the Company Ordinance, 1984. Wherever the requirements of the Company Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Company Ordinance, 1984 or the requirements of the said directives shall prevail.

2.3 Critical accounting estimates and judgments

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 including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant management estimates in these financial statements relate to the determination and measurement of the useful life of tangible and intangible assets, impairment of debtors and taxation.

Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on January 1, 2016 and are considered to be relevant to the Company's operations:

IAS 1, 'Presentation of financial statements' aims to improve presentation and disclosure in financial reports by emphasising the importance of understandability, comparability and clarity in presentation.



The amendments provide clarification on number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.

The above do not have any significant impact on these financial statements.

Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2016 are considered not to be relevant to Company's financial statements and hence have not been detailed here.

Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

Following new amendment to published standard is effective for accounting periods beginning on or after January 1, 2017 and is considered to be relevant for the Company's financial statements.

IAS 7, 'Cash flow statements' - This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment is part of the IASB's Disclosure Initiative. In the first year of adoption, comparative information need not be provided.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The company has consistently applied the following accounting policies to all the years presented in these financial statements.

3.1 Operating assets

Owned

Operating assets are stated at cost less accumulated depreciation.

Depreciation on all operating assets is charged to income using the reducing balance method in accordance with the rates specified in note 4 to these financial statements. Depreciation on additions is charged from the month the asset is available for use and on disposals up to the month the asset is in use.

Maintenance and normal repairs are charged to income as and when incurred; major improvements are capitalized.

Gain or loss on disposal of assets is included in profit and loss account.

Leased assets

Assets held under finance lease are initially recorded at the lower of present value of minimum lease payments under the lease agreement and the fair value of such assets. The related obligations under the lease, net of financial charges allocated to future periods, are shown as a liability. Finance costs are allocated to the accounting period in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

Depreciation is charged on leased assets on a basis similar to that of owned assets.

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3.2 Intangible Assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the company and that the cost of such asset can be measured reliably.

Costs directly associated with identifiable software and having probable economic benefit exceeding beyond one year are recognized as intangible assets. Direct costs include the purchase cost of software and related overhead cost. Computer software are amortized from the date such assets are put into use on straight-line basis over its useful life. Cost associated with maintaining computer software are recognized as an expense when incurred.

TREC and office room at PSX building, having indefinite useful lives are not amortized. These are stated at acquisition cost less impairment, if any. The carrying amounts are reviewed at each balance sheet date to assess whether they are in excess of their recoverable amounts, and where the carrying values exceed estimated recoverable amount, these are written down to their estimated recoverable amount.

3.3 Impairment

A financial asset, other than that carried at fair value through profit or loss, is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. If any such indication exists, the asset's recoverable amount is estimated and impairment losses, if any, are charged to profit and loss account.

3.4 Investments

Investments in securities are initially recognized at cost, being the fair value of the consideration given, including transaction cost associated with the investment, except in case of investments at fair value through profit or loss in which case these transaction costs are charged to the profit and loss account.

All 'regular way' purchases and sales of listed shares are recognized on the trade date, that is the date that the company commits to purchase / sell the shares.

Investments at fair value through profit or loss

Investments that are acquired principally for the purpose of generating profit from short term fluctuation in market prices are classified under this category. These investments are carried at fair value. Gain / loss on measurement of such investments to fair value is recognized in the profit and loss account. Associated transaction costs are charged off to the profit and loss account.

Available-for-sale

Available-for-sale investments are initially recognized at cost. After initial recognition, these are remeasured at fair value. Surplus / deficit arising on measurement, is taken to other comprehensive income until the investments are sold / disposed off or are determined to be impaired, at which time, cumulative gain or loss previously reported in other comprehensive income is included in the current year's profit and loss account.

3.5 Financial instruments

All financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instruments. All financial assets are derecognized at the time when the company loses control of the contractual rights that comprise the financial assets. Financial liabilities are recognized in the financial statements when the company becomes a party to the contractual provisions of the instrument. Financial liabilities are derecognized at the time when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to profit and loss account.

3.6 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements only when the company has a legally enforceable right to off-set the recognized amounts and the company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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3.7 Trade debtors

These are initially measured at original invoice amount, which approximates fair value, and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is recognized when there is objective evidence that the company will not be able to collect all the amount due according to the original terms of the receivable. Trade debts are written off when considered irrecoverable.

3.8 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 will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are verified at each balance sheet date and adjusted to reflect the current best estimate.

3.9 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable costs, if any, and subsequently measured at amortized cost.

3.10 Borrowing costs

Borrowing costs are recognized as an expense in the period in which these are incurred, except to the extent that they are directly attributable to the acquisition or construction of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) in which case these are capitalized as part of cost of that asset.

3.11 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 include cash in hand, balances with bank and short term running finances.

3.12 Staff retirement benefits

The company operates an unfunded gratuity scheme for all permanent employees based on their length of employment.

3.13 Taxation

Current

The charge for current tax is based on the higher of:

Taxable income at current rates of taxation after taking into accounts tax credits, rebates and exemption available, if any;

The minimum tax under Income Tax Ordinance, 2001; or

Alternative Corporate Tax under Income Tax Ordinance, 2001.

Final tax regime at the applicable tax rates of the Income Tax Ordinance, 2001.

3.14 Revenue recognition

Brokerage and other income is accrued as and when such services are provided.

Sale and purchase of securities and resultant gain or loss on disposal of securities are recognized on the date of contract.

Dividend income is recognized when the right to receive the dividend is established.

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3.15 Transactions with related parties

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates on the same terms and conditions as third party transactions using admissible valuation models, as admissible, except in extremely rare circumstances where, subject to the approval of the board of directors, it is in the interest of the company to do so.

3.16 Functional and presentation currency

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

4. OPERATING ASSETS

	Building	Office equipment	Computer and allied	Furniture and fixtures	Motor vehicles	Leased Motor vehicles	Total
----- Rupees -----							
Year ended June 30, 2016							
Opening net book value	6,425,000	798,153	822,294	632,407	3,298,393	9,138,887	21,115,134
Additions (at cost)	-	118,890	742,753	32,101	-	-	893,744
Disposals							
Cost	-	-	-	-	(568,000)	-	(568,000)
Accumulated depreciation	-	-	-	-	568,000	-	568,000
Depreciation charge for the year	(321,250)	(134,470)	(344,806)	(97,509)	(494,759)	(1,370,833)	(2,763,627)
Net book value as at June 30, 2016	6,103,750	782,573	1,220,241	566,999	2,803,634	7,768,054	19,245,251
As at June 30, 2016							
Cost	6,425,000	2,071,642	5,562,905	1,928,817	5,325,807	9,587,000	30,901,171
Accumulated depreciation	(321,250)	(1,289,069)	(4,342,664)	(1,361,818)	(2,522,173)	(1,818,946)	(11,655,920)
Net book value as at June 30, 2016	6,103,750	782,573	1,220,241	566,999	2,803,634	7,768,054	19,245,251
Year ended June 30, 2017							
Opening net book value	6,103,750	782,573	1,220,241	566,999	2,803,634	7,768,054	19,245,251
Additions (at cost)	-	210,590	589,615	70,900	5,080,435	5,257,000	11,208,540
Disposals							
Cost	-	-	-	(186,901)	-	-	(186,901)
Accumulated depreciation	-	-	-	58,985	-	-	58,985
Depreciation charge for the year	(305,188)	(111,861)	(501,642)	(127,916)	(2,762,551)	(2,668,986)	(6,429,097)
Net book value as at June 30, 2017	5,798,562	881,302	1,308,214	431,113	5,121,518	10,356,068	23,896,777
At June 30, 2017							
Cost	6,425,000	2,282,232	6,152,520	1,812,816	10,406,242	14,844,000	41,922,810
Accumulated depreciation	(626,438)	(1,400,930)	(4,844,306)	(1,381,703)	(5,284,724)	(4,487,932)	(18,026,032)
Net book value as at June 30, 2017	5,798,562	881,302	1,308,214	431,113	5,121,518	10,356,068	23,896,777
Depreciation rate	5%	15%	30%	15%	15%	15%	

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5. INTANGIBLE ASSETS	Note	2017 Rupees	2016 Rupees
Trading rights entitlement certificates	5.1	5,000,000	9,500,000
Software	5.2	240,000	300,000
		<u>5,240,000</u>	<u>9,800,000</u>

5.1 Trading rights entitlement certificates

Cost	9,500,000	9,500,000
Impairment loss	(4,500,000)	-
	<u>5,000,000</u>	<u>9,500,000</u>

5.1.1 This represents TREC acquired on surrender of membership card of PSX, for details please refer note 6.1

5.2 Software	Note	2017 Rupees	2016 Rupees
Net carrying value basis			
Opening net book value		300,000	6,417
Add: Additions during the year		-	375,000
Less: Amortization for the year		60,000	81,417
Closing net book value		<u>240,000</u>	<u>300,000</u>
Gross carrying value			
Cost		3,335,000	3,335,000
Less: Accumulated amortization		3,095,000	3,035,000
Net book value		<u>240,000</u>	<u>300,000</u>
Amortization rate - number of years		<u>5</u>	<u>5</u>

6. INVESTMENT

Investment in share of Pakistan Stock Exchange Limited	6.1	<u>10,200,000</u>	<u>25,500,000</u>
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- 6.1 Pursuant to the promulgation of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (The Act) the ownership in a Stock Exchange has been segregated from the right to trade on the Exchange. Accordingly, the Company has received equity shares of KSE and a Trading Right Entitlement (TRECs) in lieu of its membership card of KSE. The Company's entitlement in respect of KSE's shares is determined on the basis of valuation of assets and liabilities of KSE as approved by SECP and the Company has been allotted 4,007,383 shares of the face value of Rs. 10/- each, out of which 2,404,430 shares are kept in the blocked account and the divestment of the same will be made in accordance with the requirements of the Act within two years from the date of Demutualization.

In the current period, the Securities and Exchange Commission of Pakistan accorded its approval to Pakistan Stock Exchange Limited for issuing letter of acceptance to a Chinese Consortium for the strategic sale of 40% of shares against a consideration of \$85.6 million at offer price of Rs. 28 per share.

PSX vide their letter dated 29 December 2016 informed the Company that 40% shares (out of 60% of total shareholding in PSX), which were in held blocked form in terms of Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012, have been sold to Chinese consortium by the Divestment Committee at an offer price of Rs. 28 per share. Formal signing ceremony was held on 20 January 2017 to mark the signing of the Share Purchase Agreement between the Chinese Consortium and the divestment committee of PSX.

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As per the above mentioned letter, 10% of the consideration amount will be retained for a period of one year to settle any outstanding liabilities of PSX and as such the portion of sale after deduction, if any, will be remitted to the designated bank account maintained by the Company after the expiry of the specified time period.

On March 2017, PSX informed the brokerage house that 90% of sale proceeds of 40% PSX shares has been disbursed into the designated bank accounts of the shareholders and the remaining 10% of the amount is held for a period of one year to settle any outstanding liabilities of PSX which will be released after the specified time.

7. LONG TERM LOANS AND ADVANCES	Note	2017 Rupees	2016 Rupees
Loans and advances to employees	11	540,906	1,209,869
Current maturity shown under current assets	11	(540,906)	(683,285)
		<u>-</u>	<u>526,584</u>
7.1 These are interest free loans and advances given to employees.			
8. LONG TERM DEPOSITS			
Pakistan Stock Exchange Limited		357,529	450,000
Central Depository Company of Pakistan Limited		100,000	100,000
National Clearing Company of Pakistan Limited		200,000	200,000
Deposit against PSO card		215,515	115,515
Lease deposit		1,465,950	940,250
Rent deposit		680,000	680,000
Other deposits		40,950	34,800
		<u>3,059,944</u>	<u>2,520,565</u>
9. SHORT TERM INVESTMENT			
At fair value through profit or loss (quoted equity securities)		186,300,121	125,541,599
Investment at cost (unquoted - Dawood Family Takaful)		7,000,000	7,000,000
		<u>193,300,121</u>	<u>132,541,599</u>
10. TRADE DEBTS			
Considered good:			
- Trade receivable	10.1 & 10.2	42,933,237	124,118,312
- Receivables against margin finance		79,234,361	-
		<u>122,167,598</u>	<u>124,118,312</u>

10.1 This includes receivable from a related party amounting to Rs. 5,329,325 (2016: 47,666,284).

10.2 The aging analysis of the trade debts upto five days and more than five days are amounting to Rs. 9,270,439 and Rs. 33,662,798 respectively.

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11. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2017 Rupees	2016 Rupees
Advance to staff	7	540,906	683,285
Exposure deposit into NCCPL	11.1	153,200,000	35,683,701
Receivable from PSX/NCCPL	11.2	20,881,977	-
Income tax refundable - net		45,429,519	31,387,896
Deposit against sale of PSX Shares		4,488,280	-
Prepayments		315,703	314,234
Other receivables	11.3	68,727,535	43,748,686
		<u>293,583,920</u>	<u>111,817,802</u>

11.1 This represents deposit with NCCPL against trade in future and ready market.

11.2 This represents deposit with NCCPL against transactions in Margin Trading System and future profit held.

11.3 This includes receivable from a related party amounting to Rs. 68,166,560 (2016: 42,737,749).

12. CASH AND BANK BALANCES	Note	2017 Rupees	2016 Rupees
Cash in hand		6,782	26,659
Cash at banks:			
- Current accounts	12.1	68,170,064	56,037,077
		<u>68,176,846</u>	<u>56,063,736</u>

12.1 This include Rs. 50,266,419 (2016: 55,744,857) kept in designated bank accounts maintained on behalf of clients.

13. SHARE CAPITAL	2017 Rupees	2016 Rupees		
Authorized Share Capital				
<u>Number of Shares</u>				
20172016				
<u>35,000,000</u> <u>35,000,000</u>	Ordinary shares of Rs. 10 each fully paid in cash	<u>350,000,000</u> <u>350,000,000</u>		
Issued, Subscribed and Paid-up Share Capital				
<u>Number of Shares</u>				
20172016				
<u>34,682,360</u> <u>34,682,360</u>	Ordinary shares of Rs. 10 each fully paid in cash	<u>346,823,600</u> <u>346,823,600</u>		
13.1 Pattern of Shareholding				
<u>Name of Shares holders</u>	<u>2017 Percentage</u>	<u>2016 Percentage</u>	<u>2017 Number of Shares</u>	<u>2016 Number of Shares</u>
Ahfaz Mustafa	73%	73%	22,622,660	22,622,660
Azhar Iqbal	20%	20%	6,030,100	6,030,100
Ayesha Naeem	7%	7%	2,029,600	6,029,600
Total	<u>100%</u>	<u>100%</u>	<u>30,682,360</u>	<u>34,682,360</u>

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14. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2017			2016		
	Minimum lease payments	Financial charges allocated	Present value of lease payments	Minimum lease payments	Financial charges allocated	Present value of lease payments
	----- Rupees -----					
Not later than one year	4,128,778	476,385	3,652,393	3,230,676	336,044	2,894,632
Later than one year but not later than five years	3,656,537	249,791	3,406,746	2,221,871	77,453	2,144,418
	7,785,315	726,176	7,059,139	5,452,547	413,497	5,039,050

14.1 The above represents the net present value of the minimum payments and is secured against deposits of Rs. 1,465,950 (2016: Rs. 940,250), title of ownership of leased assets and personal guarantees of all the directors.

14.2 The total principal amount along with financial charges is payable in 36 monthly installments and carries mark-up ranging from 7.04% to 7.12% (2016: 9% to 10.5%) per annum.

15. DEFERRED LIABILITY - STAFF GRATUITY	Note	2017 Rupees	2016 Rupees
Opening balance		1,675,884	1,837,490
Provision during the year		741,628	751,215
		2,417,512	2,588,705
Paid during the year		(318,671)	(912,821)
Closing balance		2,098,841	1,675,884

16. TRADE AND OTHER PAYABLES

Creditors	213,740	235,976
Trade payables	116,482,540	60,464,911
Accrued expenses	2,766,360	1,055,001
Sales and other taxes payable	2,255,003	448,537
Other liabilities	-	394,574
	121,717,643	62,599,000

17. SHORT TERM BORROWINGS - SECURED

17.1 **130,498,849** **138,962,878**

17.1 The company has obtained short term running finance facilities under mark-up arrangements with an aggregate limit of Rs 525 million (2016: Rs 525 million) from various commercial banks with variable mark-up rates ranging from 7.52% to 7.61% (2016: 7.85% to 8.5%). These are secured against pledge of marketable securities and personal guarantees of all the directors.

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18. CONTINGENCIES AND COMMITMENTS

Contingencies

The company has filed a recovery suit amounting to Rs. 17.16 million against a customer. The same customer has filed a counter suit of the same amount against the company. The company based on the advice of its legal counsel is confident that the case will be decided in its favor and the amount against which the claim has been filed will be received. Hence, no provision against this receivable has been made in these financial statements.

Commitments	Note	2017 Rupees	2016 Rupees
Outstanding settlements against sale / purchase of securities in ready and future markets		-	36,325,695

19. OPERATING REVENUE

Brokerage commission	19.1 & 19.2	66,123,072	46,513,192
Other revenue		648,392	777,618
Net gain from transactions in marketable securities		171,743,512	30,877,153
Unrealised gain on measurement of investments at fair value		14,546,524	842,611
		<u>253,061,500</u>	<u>79,010,574</u>

19.1 Brokerage Commission

Institutional clients		37,891,643	27,648,493
Retail clients		28,231,429	18,864,699
		<u>66,123,072</u>	<u>46,513,192</u>

19.2 It includes brokerage income of Rs. 54,154 (2016: Rs. 21,814) earned from related parties.

20. OPERATING EXPENSES

Salaries and benefits	20.1	29,625,423	23,676,813
Director's remuneration		3,900,000	3,300,000
Printing and stationery		569,423	126,449
Telephone and postage		1,187,170	1,343,438
Rent, rates and taxes		2,286,960	2,254,940
Vehicle registration		363,680	-
Vehicle running and maintenance		1,872,557	1,447,604
Repairs and maintenance		230,815	281,511
Electricity and gas charges		847,431	1,644,654
Legal and professional charges		715,140	1,439,227
Travelling and conveyance		759,060	327,780
Insurance expenses		638,549	488,804
Entertainment		1,063,355	860,581
Fees and subscription		510,230	1,103,318
Depreciation	4.	6,429,097	2,763,627
Amortization of intangible assets	5.2	60,000	81,417
Security expense		1,099,454	1,350,598
Office expenses		866,910	707,643
Computer expenses		4,687,972	3,162,471
Donation and charity	20.2	275,000	347,400
Auditors' remuneration		410,000	355,000
Loss on disposal of assets		50,898	-
Other expenses		401,297	546,927
		<u>58,850,421</u>	<u>47,610,201</u>

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20.1 Salaries and benefits include Rs. 741,628 (2016: Rs. 751,215) in respect of staff retirement benefits.

20.2 None of the directors or their spouses had an interest in the donee's funds.

21. FINANCIAL CHARGES	Note	2017 Rupees	2016 Rupees
Mark-up on bank borrowings	17.1	13,610,635	10,002,706
Mark up on leased assets		359,086	-
Bank charges		568,107	278,033
		<u>14,537,828</u>	<u>10,280,739</u>
22. OTHER INCOME			
Dividend income		14,273,778	5,680,593
Mark-up on exposure deposit		1,884,758	1,481,516
Mark-up on MF		2,486,888	-
Other		603,517	1,736,760
		<u>19,248,941</u>	<u>8,898,869</u>
23. TAXATION			
Current year		14,996,975	6,102,524
		<u>14,996,975</u>	<u>6,102,524</u>
24. EARNINGS PER SHARE			
Profit for the year		183,925,217	23,915,979
Weighted average number of ordinary shares		34,682,360	34,682,360
Earnings per share		<u>5.30</u>	<u>0.69</u>
25. CASH AND CASH EQUIVALENTS			
Cash and bank balances	12	68,176,846	56,063,736
Short term borrowings - secured	17	(130,498,849)	(138,962,878)
		<u>(62,322,003)</u>	<u>(82,899,142)</u>
26. PLEDGE SECURITIES			
		<u>Number of Shares</u>	<u>Pledge Value</u>
Pledged to financial institutions on behalf of brokerage house		3,442,500	59,287,795
Pledged to financial institutions on behalf of Clients		10,913,357	2,594,610,798

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27. RELATED PARTY TRANSACTIONS

Related parties comprise of associated companies, directors and key management personnel. The company continues to have a policy whereby all transactions with related parties are at contractual / agreed rates.

	2017 Rupees	2016 Rupees
Directors		
Brokerage income earned	54,154	99,864
Remuneration paid to directors	3,900,000	3,300,000
Trade receivables at year end	5,329,325	47,666,284
Other receivables at year end	68,166,560	42,737,749

28. REMUNERATION OF CHIEF EXECUTIVE

The aggregate amount charged in these financial statements for remuneration, including certain benefits to the chief executive of the company are as follows:

	2017 Rupees	2016 Rupees
Chief Executive Officer		
Managerial remuneration	3,900,000	3,300,000
	<u>3,900,000</u>	<u>3,300,000</u>
Number of persons	<u>1</u>	<u>1</u>

28.1 The company also provided the company maintained cars to chief executive.

29. NUMBER OF EMPLOYEES

	2017	2016
Total number of employees at the end of the year	<u>35</u>	<u>35</u>
Average number of employees during the year	<u>34</u>	<u>34</u>

30. CAPITAL RISK MANAGEMENT

The company's objective when managing capital is to safeguard the company's ability to continue as a going concern so that it can provide benefits to all stakeholders.

In order to maintain the balance of its capital structure the company may consider injecting further equity or issuing fresh debt. The company monitors its capital on the basis of its gearing ratio. Debt is calculated as total borrowings including both long term and short term borrowings. The gearing ratio as at 30 June, 2017 and 2016 was as follows:

	2017 Rupees	2016 Rupees
Total borrowings	137,557,987	144,001,928
Paid up capital	346,823,600	346,823,600
Accumulated profit / (loss)	108,563,591	(75,361,626)
	455,387,191	298,141,580
Gearing ratio	<u>23%</u>	<u>33%</u>

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31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES	2017 Rupees	2016 Rupees
i) Financial instruments by category		
Financial assets		
Available for sale		
Investment in shares of Karachi Stock Exchange Limited	10,200,000	25,500,000
At fair value through profit or loss		
Short term investments	193,300,121	132,541,599
Loans and receivables at amortized cost		
Long term deposits	3,059,944	2,520,565
Long term loans and advances to employees	-	526,584
Trade debts	122,167,598	124,118,312
Advances, deposits, prepayments and other receivables	243,350,418	80,115,672
Cash and bank balances	68,176,846	56,063,736
Total financial assets	640,254,927	421,386,468
Financial liabilities		
Financial liabilities at amortized cost		
Liabilities against assets subject to finance lease	7,059,139	5,039,050
Trade and other payables	121,717,643	62,599,000
Accrued mark-up on borrowings	2,863,543	2,395,063
Short term borrowings	130,498,849	138,962,878
Total financial liabilities	262,139,173	208,995,991

ii) Financial risk management objectives and policies

The company's activities are exposed to a variety of financial risks which are mainly market risk, liquidity risk and credit risk. The company has established adequate procedures to manage each of these risks as mentioned below:

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks namely interest rate risk, currency risk and other price risk. The company is exposed to interest rate risk and other price risk only.

i) Interest / mark-up rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure arises from finance leases and running finance facilities. At the balance sheet date the interest rate profile of the company's mark-up bearing financial instruments is as follows:

	Carrying amount	
	2017 Rupees	2016 Rupees
Variable rate instruments		
Financial liabilities	14 & 17 (137,557,988)	(144,001,928)
	<u>(137,557,988)</u>	<u>(144,001,928)</u>

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As at 30 June, 2017 if KIBOR had been 100 basis points higher / lower with all other variables being constant, profit before taxation for the year would have been higher / lower by Rs 1.37 million (2016: Rs 1.44 million) respectively mainly as a result of higher / lower interest exposure on variable rate borrowings.

ii) Other price risk

Other price risk includes equity price risk which is the risk of changes in the fair value of equity securities.

The equity price risk exposure arises from investments in equity securities held by the company for which prices for the future are uncertain. The company manages equity price risk through diversification of its investment portfolio.

As at 30 June, 2017 if the PSX 100 index had been 5% higher / lower with all other variables being constant, profit before taxation for the year would have been higher / lower by Rs. 9.66 million (2016: Rs. 6.277 million) respectively with a corresponding decrease / increase in net assets of the company.

b) Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. Credit risk arises from deposit with banks, trade debts, loans, advances, deposits and other receivables. The maximum exposure to credit risk (which is the carrying value of financial assets) at the balance sheet date is as follows:

	2017 Rupees	2016 Rupees
Long term deposits	3,059,944	2,520,565
Long term loans and advances to employees	-	526,584
Short term investments	193,300,121	132,541,599
Trade debts	122,167,598	124,118,312
Advances, deposits, prepayments and other receivables	243,350,418	80,115,672
Bank balances	68,170,064	56,037,077
	<u>630,048,145</u>	<u>395,859,809</u>

To reduce the exposure to credit risk, the company has developed a formal approval process whereby credit limits are applied to its customers. The company is doing its utmost to recover the amount outstanding from its customers and is confident that the amount would be recovered based on the past experience and the recovery efforts being carried out by the company.

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit rating.

The maximum exposure to credit risk for trade debts at the balance sheet date is as follows:

	2017 Rupees	2016 Rupees
Past due 1-30 days	98,430,312	74,451,214
Past due 31-90 days	4,679,077	18,036,093
More than 91 days	19,058,210	31,631,002
	<u>122,167,598</u>	<u>124,118,309</u>

No impairment has been recognised in respect of these debts as the custody of equity securities against the same is considered to be adequate.

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c) **Liquidity risk**

Liquidity risk represents the risk that the company will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date.

	2017		
	Carrying amount	Maturity up to one year	Maturity more than one year
	----- Rupees -----		
Liabilities against assets subject to finance lease	7,059,139	3,652,393	3,406,746
Trade and other payables	121,717,643	121,717,643	-
Accrued mark-up	2,863,543	2,863,543	-
Short term borrowings	130,498,849	130,498,849	-
	262,139,173	258,732,428	3,406,746

	2016		
	Carrying amount	Maturity up to one year	Maturity more than one year
	----- Rupees -----		
Liabilities against assets subject to finance lease	5,039,050	2,894,632	2,144,418
Trade and other payables	62,599,000	62,599,000	-
Accrued mark-up	2,395,063	2,395,063	-
Short term borrowings	138,962,878	138,962,878	-
	208,995,991	206,851,573	2,144,418

iii) **Fair value of financial assets and liabilities**

The carrying value of all financial assets and financial liabilities reflected in the financial statements approximate their fair values.

The fair value measurement hierarchy of the financial instruments carried at fair value is as follows:

- Level 1 - quoted market prices
- Level 2 - valuation techniques (market observable)
- Level 3 - valuation techniques (non-market observable)

Fair value of investments traded in an active market are based on quoted market prices under the level 1 valuation method. Since investment in Pakistan Stock Exchange Limited (PSX) is not listed on any stock exchange, a quoted market price is not available and the fair value of such investment can not be determined with reasonable accuracy.

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32. DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors in their meeting held on

06 OCT 2017

33. GENERAL

33.1 Figures have been rounded off to the nearest rupee.

33.2 Figures have been reclassified and re-arranged where necessary.

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Chief Executive Officer



Director