

ISMAIL IQBAL SECURITIES (PRIVATE) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018



BAKER TILLY
MEHMOOD IDREES
QAMAR
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ISMAIL IQBAL SECURITIES (PRIVATE) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **ISMAIL IQBAL SECURITIES (PRIVATE) LIMITED** (the Company), which comprise the statement of financial position as at **June 30, 2018**, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the cash flow statement 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, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement 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, other 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.

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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 in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 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 statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement 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; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).
- e) the Company was in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the statement of financial position was prepared.





BAKER TILLY
MEHMOOD IDREES
QAMAR
CHARTERED ACCOUNTANTS

The engagement partner on the audit resulting in this independent auditor's report is
Mehmood A. Razzak.

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Mehmood Idrees Qamar
Karachi

Date:

05 OCT 2018

ISMAIL IQBAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Non - Current Assets			
Operating assets	5	21,379,521	23,896,777
Intangible assets	6	2,692,000	5,240,000
Investment	7	13,879,637	17,200,000
Long term loans and advances	8	-	-
Long term deposits	9	2,112,165	3,059,944
		40,063,323	49,396,721
Current Assets			
Short term investment	10	123,811,334	186,300,121
Trade debts	11	82,924,529	122,167,598
Advances, deposits, prepayments and other receivables	12	114,886,355	293,583,920
Cash and bank balances	13	123,217,906	68,176,846
		444,840,124	670,228,485
TOTAL ASSETS		484,903,447	719,625,207
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Authorized Share Capital			
35,000,000 (2017: 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 (2017: 34,682,360) Ordinary shares of Rs. 10/- each	14	346,823,600	346,823,600
Accumulated profit		33,714,461	108,563,591
Total shareholders' equity		380,538,061	455,387,191
Non - Current Liabilities			
Liabilities against assets subject to finance lease	15	1,807,075	3,406,746
Deferred liability - staff gratuity	16	3,264,468	2,098,841
		5,071,543	5,505,587
Current Liabilities			
Trade and other payables	17	91,052,777	121,717,643
Accrued mark-up		2,467,790	2,863,544
Short term borrowings - secured	18	4,171,834	130,498,849
Current portion of liabilities against assets subject to finance lease	15	1,601,442	3,652,393
		99,293,843	258,732,429
CONTINGENCIES AND COMMITMENTS	19	-	-
		484,903,447	719,625,207

The annexed notes 1 to 37 form an integral part of these financial statements



Chief Executive Officer




Director

ISMAIL IQBAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Operating revenue	20	5,612,386	253,061,500
Operating expenses	21	(72,307,330)	(58,850,421)
Operating (loss) / profit		(66,694,944)	194,211,079
Financial charges	22	(9,371,593)	(14,537,828)
Other income	23	18,046,696	19,248,941
(Loss) / profit before taxation		(58,019,842)	198,922,192
Taxation	24	(16,829,288)	(14,996,975)
(Loss) / profit after taxation		(74,849,130)	183,925,217
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		(74,849,130)	183,925,217
(Loss) / earnings per share	25	(2.16)	5.30

The annexed notes 1 to 37 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, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(58,019,842)	198,922,192
Adjustments for non cash charges and other items			
Depreciation		3,393,504	6,429,097
Amortization of intangible assets		48,000	60,000
Financial charges		9,371,593	14,537,828
Dividend income		(8,620,062)	(14,273,778)
Gratuity expense		1,667,691	741,628
Impairment loss		2,500,000	4,500,000
Loss on disposal of property, plant and equipment		205,732	50,898
Unrealised gain on re-measurement of short term investments		(10,305,336)	(14,546,524)
		(1,738,878)	(2,500,851)
Operating (loss) / profit before working capital changes		(59,758,720)	196,421,341
Decrease / (increase) in current assets			
Trade debts		39,243,069	1,950,714
Short term investments		72,794,123	(53,211,998)
Advances, deposits, prepayments and other receivables		178,309,350	(167,724,495)
		290,346,542	(218,985,779)
(Decrease) / increase in current liabilities			
Trade and other payables		(30,664,866)	59,118,643
Cash generated from operations		199,922,956	36,554,205
Taxes paid - net		(16,441,073)	(29,038,598)
Gratuity paid		(502,064)	(318,671)
Financial charges paid		(9,767,347)	(14,069,348)
Net cash inflow from / (used in) operating activities		173,212,472	(6,872,412)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from trading investments		8,620,062	14,273,778
Additions in property, plant and equipment		(1,091,980)	(11,208,540)
Proceeds from disposal of operating assets		10,000	77,018
Investment		3,320,363	22,300,000
Long term advances		-	526,584
Long term deposits		947,779	(539,379)
Net cash inflow from investing activities		11,806,224	25,429,461
CASH FLOWS FROM FINANCING ACTIVITIES			
Liabilities against assets subject to finance lease		(3,650,622)	2,020,090
Net cash (used in) / inflow from financing activities		(3,650,622)	2,020,090
Net increase in cash and cash equivalents		181,368,074	20,577,139
Cash and cash equivalents at the beginning of the year		(62,322,003)	(82,899,142)
Cash and cash equivalents at the end of the year	26	119,046,072	(62,322,003)

The annexed notes 1 to 37 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, 2018

	Issued, subscribed and paid-up share capital	Accumulated (Loss) / Profit	Total
	----- Rupees -----		
Balance as at July 01, 2016	346,823,600	(75,361,626)	271,461,974
Profit for the year ended June 30, 2017	-	183,925,217	183,925,217
Other comprehensive income	-	-	-
Total comprehensive income for the year ended June 30, 2017	-	183,925,217	183,925,217
Balance as at June 30, 2017	346,823,600	108,563,591	455,387,191
(Loss) for the year ended June 30, 2018	-	(74,849,130)	(74,849,130)
Other comprehensive income	-	-	-
Total comprehensive (loss) for the year ended June 30, 2018	-	(74,849,130)	(74,849,130)
Balance as at June 30, 2018	346,823,600	33,714,462	380,538,062

The annexed notes 1 to 37 form an integral part of these financial statements



Chief Executive Officer

Director

ISMAIL IQBAL SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2018

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. SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING PERIOD

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- The company's profit has been significantly reduced due to the uncertain political situations during the year.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 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.

3.2 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 such International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 (the Act), 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 and with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licencing and Operations) Regulations, 2016 as at the date on which the balance sheet was prepared.

Changes in accounting standards and interpretations

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

'IAS 7, 'Statement of Cash Flows' amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. In the first year of adoption, comparative information need not be provided.²

The change may impact the disclosures of the Company's annual financial statements.

The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes also include change in respect of recognition criteria of surplus on revaluation of fixed assets as more fully explained in note 4, change in nomenclature of primary statements, etc.



Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and
- incorporation of significant additional disclosures.

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

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2017, but are considered not to be relevant or have any significant effect on the Company's reporting and are therefore, not disclosed in these financial statements.

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

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after July 1, 2018, that may have an impact on the financial

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 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 5 to these financial statements. Depreciation on additions is charged from the month the asset is available for 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.



4.2 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.

4.3 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.

4.4 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.

4.5 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.

4.6 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.



4.7 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.

4.8 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.

4.9 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.

4.10 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.

4.11 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.

4.12 Staff retirement benefits

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

4.13 Taxation

The charge of the current year taxation is based on taxable income after considering the rebates and tax credits available, if any. The company's revenue also falls under final tax regime to the Income Tax Ordinance, 2001.

4.14 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.

4.15 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.

4.16 Functional and presentation currency

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



5. OPERATING ASSETS

Building	Office equipment	Computer and allied	Furniture and fixtures	Motor vehicles	Leased Motor vehicles	Total
Rupees						

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
	-	-	-	(127,916)	-	-	(127,916)
Depreciation charge for the year	(305,188)	(111,861)	(501,642)	(78,870)	(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

Year ended June 30, 2018

Opening net book value	5,798,562	881,302	1,308,214	431,113	5,121,518	10,356,068	23,896,777
Additions (at cost)	-	437,205	235,875	37,720	17,500	363,680	1,091,980
Disposals							
Cost	-	(265,626)	(3,523,469)	(330,379)	-	-	(4,119,474)
Accumulated depreciation	-	214,380	3,450,388	238,974	-	-	3,903,742
	-	(51,246)	(73,081)	(91,405)	-	-	(215,732)
Transfer							
Cost	-	-	-	-	9,587,000	(9,587,000)	-
Accumulated depreciation	-	-	-	-	(2,660,393)	2,660,393	-
	-	-	-	-	6,926,607	(6,926,607)	-
Depreciation charge for the year	(289,928)	(162,096)	(429,848)	(135,221)	(768,446)	(1,607,964)	(3,393,504)
Net book value as at June 30, 2018	5,508,634	1,105,165	1,041,160	242,208	11,297,179	2,185,177	21,379,521

At June 30, 2018

Cost	6,425,000	2,453,811	2,864,926	1,520,157	20,010,742	5,620,680	38,895,316
Accumulated depreciation	(916,366)	(1,348,646)	(1,823,766)	(1,277,949)	(8,713,563)	(3,435,503)	(17,515,795)
Net book value as at June 30, 2017	5,508,634	1,105,165	1,041,160	242,208	11,297,179	2,185,177	21,379,521

Depreciation rate	5%	15%	30%	15%	15%	15%	
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6. INTANGIBLE ASSETS

	Note	2018 Rupees	2017 Rupees
Trading rights entitlement certificates	6.1	2,500,000	5,000,000
Software	6.2	192,000	240,000
		2,692,000	5,240,000

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6.1 Trading rights entitlement certificates	2018 Rupees	2017 Rupees
Cost	5,000,000	9,500,000
Impairment loss	(2,500,000)	(4,500,000)
	<u>2,500,000</u>	<u>5,000,000</u>

6.1.1 This represents TREC acquired on surrender of membership card of PSX, for details please refer note 7.1

6.2 Software	Note	2018 Rupees	2017 Rupees
Net carrying value basis			
Opening net book value		240,000	300,000
Add: Additions during the year		-	-
Less: Amortization for the year		48,000	60,000
Closing net book value		<u>192,000</u>	<u>240,000</u>
Gross carrying value			
Cost		3,335,000	3,335,000
Less: Accumulated amortization		3,143,000	3,095,000
Net book value		<u>192,000</u>	<u>240,000</u>
Amortization rate - number of years		<u>5</u>	<u>5</u>

7. INVESTMENT

Investment at cost (unquoted - Dawood Family Takaful)		7,000,000	7,000,000
Investment in share of Pakistan Stock Exchange Limited	7.1	6,879,637	10,200,000
		<u>13,879,637</u>	<u>17,200,000</u>

7.1 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.

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 and this amount has been released during the year.

8. LONG TERM LOANS AND ADVANCES	Note	2018 Rupees	2017 Rupees
Loans and advances to employees		-	540,906
Current maturity shown under current assets	12	-	(540,906)
		<u>-</u>	<u>-</u>
8.1 These are interest free loans and advances given to employees.			
9. LONG TERM DEPOSITS			
Pakistan Stock Exchange Limited		350,000	357,529
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	215,515
Lease deposit		525,700	1,465,950
Rent deposit		680,000	680,000
Other deposits		40,950	40,950
		<u>2,112,165</u>	<u>3,059,944</u>
10. SHORT TERM INVESTMENT			
At fair value through profit or loss (quoted equity securities)		111,006,594	186,300,121
Investment in share of Pakistan Stock Exchange Limited		10,304,740	-
Investment in IPO		2,500,000	-
		<u>123,811,334</u>	<u>186,300,121</u>
11. TRADE DEBTS			
Considered good:			
- Trade receivable	11.1	47,877,499	42,933,237
- Receivables against margin finance		35,047,030	79,234,361
		<u>82,924,529</u>	<u>122,167,598</u>
11.1 This includes receivable from a related party amounting to Rs. Nil (2017: 5,329,325).			
12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advance to staff	8	884,443	540,906
Exposure deposit into NCCPL	12.1	60,786,551	153,200,000
Receivable from PSX/NCCPL	12.2	7,378,915	20,881,977
Income tax refundable - net		45,041,304	45,429,519
Deposit against sale of PSX Shares		-	4,488,280
Prepayments		477,482	315,703
Other receivables	12.3	317,660	68,727,535
		<u>114,886,355</u>	<u>293,583,920</u>

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

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

12.3 This includes receivable from a related party amounting to Rs.nil (2017: Rs. 68,166,560).

13. CASH AND BANK BALANCES	Note	2018 Rupees	2017 Rupees
Cash in hand		85,019	6,782
Cash at banks:			
- Current accounts	13.1	123,132,887	68,170,064
		<u>123,217,906</u>	<u>68,176,846</u>

13.1 This include Rs. 72,083,628 (2017: 50,266,419) kept in designated bank accounts maintained on behalf of clients.

14. SHARE CAPITAL		2018 Rupees	2017 Rupees
Authorized Share Capital			
Number of Shares			
2018	2017		
<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			
Number of Shares			
2018	2017		
<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>

14.1 Pattern of Shareholding

Name of Shares holders	2018 Percentage	2017 Percentage	2018 Number of Shares	2017 Number of Shares
Ahfaz Mustafa	73%	73%	22,622,660	22,622,660
Azhar Iqbal	20%	20%	6,030,100	6,030,100
Ayesha Naeem	7%	7%	6,029,600	6,029,600

15. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2018			2017		
	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	1,761,828	160,386	1,601,442	4,128,778	476,385	3,652,393
Later than one year but not later than five years	1,847,071	39,996	1,807,075	3,656,537	249,791	3,406,746
	<u>3,608,899</u>	<u>200,382</u>	<u>3,408,517</u>	<u>7,785,315</u>	<u>726,175</u>	<u>7,059,139</u>

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15.1 The above represents the net present value of the minimum payments and is secured against deposits of Rs.525,700 (2017: Rs. 1,465,950), title of ownership of leased assets and personal guarantees of all the directors.

15.2 The total principal amount along with financial charges is payable in 36 monthly installments and carries mark-up ranging from 7.09% to 7.43% (2017: 7.04% to 7.12%) per annum.

16. DEFERRED LIABILITY - STAFF GRATUITY	Note	2018 Rupees	2017 Rupees
Opening balance		2,098,841	1,675,884
Provision during the year		1,667,691	741,628
		3,766,532	2,417,512
Paid during the year		(502,064)	(318,671)
Closing balance		<u>3,264,468</u>	<u>2,098,841</u>

17. TRADE AND OTHER PAYABLES

Creditors	912,761	213,740
Trade payables	72,083,628	116,482,540
Accrued expenses	2,291,751	2,766,360
Sales and other taxes payable	1,144,825	2,255,003
Other liabilities	14,619,812	-
	<u>91,052,777</u>	<u>121,717,643</u>

18. SHORT TERM BORROWINGS - SECURED 18.1 4,171,834 130,498,849

18.1 The company has obtained short term running finance facilities under mark-up arrangements with an aggregate limit of Rs 625 million (2017: Rs 525 million) from various commercial banks with variable mark-up rates ranging from 2018: 8.42% to 9.50 (2017: 7.52% to 7.61%). These are secured against pledge of marketable securities and personal guarantees of all the directors.

19. 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

There has been no commitments at balance sheet date.

20. OPERATING REVENUE	Note	2018 Rupees	2017 Rupees
Brokerage commission	20.1	40,043,825	66,123,072
Other revenue		8,553,181	648,392
Net gain from transactions in marketable securities		(32,679,284)	171,743,512
Unrealised gain on measurement of investments at fair value		(10,305,336)	14,546,524
		<u>5,612,386</u>	<u>253,061,500</u>

20.1 It includes brokerage income of Rs. 4,825 (2017: Rs. 54,154) earned from related parties.

21. OPERATING EXPENSES	Note	2018 Rupees	2017 Rupees
Salaries and benefits	21.1	27,042,179	29,625,423
Director's remuneration		3,900,000	3,900,000
Printing and stationery		714,750	569,423
Telephone and postage		1,090,866	1,187,170
Rent, rates and taxes		2,297,500	2,286,960
Vehicle registration		-	363,680
Vehicle running and maintenance		1,903,015	1,872,557
Repairs and maintenance		477,906	230,815
Electricity and gas charges		847,935	847,431
Legal and professional charges		314,700	715,140
Commission expenses		6,132,427	-
Travelling and conveyance		1,429,365	759,060
Insurance expenses		1,192,535	638,549
Entertainment		1,646,579	1,063,355
Fees and subscription		6,953,939	510,230
Depreciation	5	3,393,504	6,429,097
Amortization of intangible assets	6.2	48,000	60,000
Security expense		1,568,280	1,099,454
Office expenses		1,111,286	866,910
Computer expenses		3,103,690	4,687,972
Donation and charity	21.2	20,000	275,000
Auditors' remuneration	21.3	410,000	410,000
Loss on disposal of assets		205,732	50,898
Other expenses		6,503,142	401,297
		<u>72,307,330</u>	<u>58,850,421</u>

21.1 Salaries and benefits include Rs. 1,667,691 (2017: Rs. 741,628) in respect of staff retirement benefits.

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

21.3 Auditors' Remuneration	Note	2018 Rupees	2017 Rupees
Audit fees		300,000	300,000
Out of pocket expenses		20,000	20,000
		320,000	320,000
Others		90,000	90,000
		<u>410,000</u>	<u>410,000</u>

22. FINANCIAL CHARGES

Mark-up on bank borrowings	18.1	8,497,697	13,610,635
Mark up on leased assets		328,706	359,086
Bank charges		545,190	568,107
		<u>9,371,593</u>	<u>14,537,828</u>

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	Note	2018 Rupees	2017 Rupees
23. OTHER INCOME			
Dividend income		8,620,062	14,273,778
Mark-up on exposure deposit		2,304,325	1,884,758
Mark-up on MF		7,122,309	2,486,888
Other		-	603,517
		18,046,696	19,248,941
24. TAXATION			
Current year		15,858,282	14,996,975
Prior year		971,006	-
		16,829,288	14,996,975
25. (LOSS) / EARNINGS PER SHARE			
(Loss) / profit for the year		(74,849,130)	183,925,217
Weighted average number of ordinary shares		34,682,360	34,682,360
		(2.16)	5.30
26. CASH AND CASH EQUIVALENTS			
Cash and bank balances	13	123,217,906	68,176,846
Short term borrowings - secured	18	(4,171,834)	(130,498,849)
		119,046,072	(62,322,003)
27. PLEDGE SECURITIES		Number of Shares	Pledge Value
Pledged to financial institutions on behalf of brokerage house		3,612,140	83,464,514
Pledged to financial institutions on behalf of clients		9,897,850	301,502,174

28. CUSTOMERS ASSETS HELD IN CDC

The house holds approx 72.3 million securities of his clients in the clients CDC sub accounts having aprox. fair value Rs. 1,807.37 million.

29. 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.

Name and relation with the related Party	Transactions during the year and year end balances	2018 Rupees	2017 Rupees
	Brokerage income earned	4,852	54,154
	Trade payable at year end	66,945	-
Mr. Ahfaz Mustafa, Chief Executive	Trade receivables at year end	-	5,329,325
	Other receivables at year end	-	68,166,560

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30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Executives	
	2018	2017	2018	2017
	Rupees			
Managerial remuneration	2,601,300	2,601,300	4,817,963	1,455,728
Allowances	1,298,700	1,298,700	2,405,370	726,773
Bonus	-	-	161,700	-
Total	3,900,000	3,900,000	7,385,033	2,182,501
Number of persons	1	1	3	2

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

30.2 Directors do not receive any remuneration from the company.

31. 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, 2018 and 2017 was as follows:

	2018 Rupees	2017 Rupees
Total borrowings	7,580,351	137,557,987
Paid-up capital	346,823,600	346,823,600
Accumulated profit	33,714,462	108,563,591
	380,538,062	455,387,191
Gearing ratio	2%	23%

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

i) Financial instruments by category

Financial assets

Available for sale

Investment in shares of Pakistan Stock Exchange Limited 6,879,637 10,200,000

At fair value through profit or loss

Short term investments 123,811,334 193,300,121

Loans and receivables at amortized cost

Long term deposits 2,112,165 3,059,944

Long term loans and advances to employees - -

Trade debts 82,924,529 122,167,598

Advances, deposits, prepayments and other receivables 69,367,569 247,838,698

Cash and bank balances 123,217,906 68,176,846

Total financial assets 408,313,140 644,743,207

Financial liabilities	2018 Rupees	2017 Rupees
Financial liabilities at amortized cost		
Liabilities against assets subject to finance lease	3,408,517	7,059,139
Trade and other payables	91,052,777	121,717,643
Accrued mark-up on borrowings	2,467,790	2,863,543
Short term borrowings	4,171,834	130,498,849
Total financial liabilities	101,100,919	262,139,173

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:

	Note	Carrying amount	
		2018 Rupees	2017 Rupees
Variable rate instruments			
Financial liabilities	15 & 18	(7,580,351)	(137,557,988)
		(7,580,351)	(137,557,988)

As at June 30, 2018 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 75,804 (2017: Rs 1.37 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 June 30, 2018 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. 6.19 million (2017: Rs. 9.66 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:

	2018 Rupees	2017 Rupees
Long term deposits	2,112,165	3,059,944
Short term investments	123,811,334	186,300,121
Trade debts	82,924,529	122,167,598
Advances, deposits, prepayments and other receivables	69,367,569	247,838,698
Bank balances	123,132,887	68,170,064
	401,348,484	627,536,426

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:

	2018 Rupees	2017 Rupees
Past due 1-30 days	44,900,311	98,430,312
Past due 31-90 days	19,836,226	4,679,077
More than 91 days	18,187,992	19,058,210
	82,924,529	122,167,599

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

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.

	2018		
	Carrying amount	Maturity up to one year	Maturity more than one year
	----- Rupees -----		
Liabilities against assets subject to finance lease	3,408,517	1,601,442	1,807,075
Trade and other payables	91,052,777	91,052,777	-
Accrued mark-up	2,467,790	2,467,790	-
Short term borrowings	4,171,834	4,171,834	-
	101,100,91	99,293,843	1,807,075




	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	121,717,64	121,717,643	-
Accrued mark-up	2,863,543	2,863,543	-
Short term borrowings	130,498,84	130,498,849	-
	262,139,17	258,732,428	3,406,746

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.

33. **NUMBER OF EMPLOYEES**

	2018	2017
Total number of employees at the end of the year	<u>34</u>	<u>35</u>
Average number of employees during the year	<u>38</u>	<u>34</u>

34. **CAPITAL ADEQUACY LEVEL**

	2018 Rupees	2017 Rupees
Total assets	484,903,447	719,625,207
Less: Total liabilities	(104,365,386)	(264,238,016)
Capital Adequacy Level	<u>380,538,060</u>	<u>455,387,190</u>

35. **DATE OF AUTHORIZATION**

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

05 OCT 2018

Signature

Signature
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36. CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary,

<u>Reclassified from</u>	<u>Reclassified to</u>	<u>2017 Rupees</u>
Investment at cost (unquoted - Dawood Family Takaful) (Short term investment)	Investment at cost (unquoted - Dawood Family Takaful) (Long term investment)	7,000,000

37. GENERAL

Figures have been rounded off to the nearest rupee.

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Chief Executive Officer



Director