

YASIR MAHMOOD SECURITIES (PVT) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the Report and the Audited Financial Statements of the company for the year ended June 30, 2018.

Market Review

During the year under review, the stock market depicted a decline of 10 percent. The Pakistan stock market closing level was 41,911 points as compared to 46,565 points at the beginning of the year. The benchmark index realized a high of 47,084 points and also witnessed a low of 37,919. Since Pakistan's upgrade to Emerging Market status in MSCI, May 2017, foreign outflows increased significantly. The dismal performance is mainly attributed to weakness in Balance of Payment and mounting Current Account Deficit which increased from USD 12.6 billion to USD 18 billion, Political uncertainty during the year in the wake of Panama Papers and General Elections were the main causes.

Economic Review

The Fiscal Year 2018 witnessed political uncertainty that continued till the end of FY18 in the run up to the elections. The high GDP growth of 5.8% for FY18 compared with 5.3% for FY17 was overshadowed by weakness in the external sector due to deficits of current and fiscal accounts. The foreign exchange reserves held by State Bank of Pakistan (SBP) declined from USD 14.6 billion to USD 9.8 billion, Consequently, the PKR exchange rate against USD depreciated by 16% YoY holding out at PKR 121.5/USD against PKR 104.8/USD in FY17. The weakness in Balance of Payments was driven by rising Current Account Deficit which grew by 43% YoY to reach USD 18 billion compared to USD 12.6 billion last year.

Financial Results

The Company has suffered a loss of PKR 11.628 million compared to profit after tax of PKR 3.948 million for the comparative period last year. The loss is mainly attributable to decline in operating revenue and decline in value of the company's investments. The financial results of the company are summarized as under:

	2018 (In Rupees)	2017 (In Rupees)
Operating revenue	8,900,447	17,608,511
Direct cost	1,935,004	2,107,439
Operating expenses	16,202,332	9,759,684
Operating (Loss)/Profit	(9,236,889)	5,741,388
Financial Charges	904,374	533,183
(Loss)/Profit before tax	(10,141,263)	5,208,206
Taxation	1,487,372	1,259,788
(Loss)/Profit for the year	(11,628,635)	3,948,417

Future Prospects

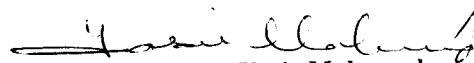
The future outlook and profitability of the company is mainly dependent on the stock market performance which is expected to show better performance because of expected recovery of the economy, after the remedial measures to address the Balance of Payment crises are taken by the new government. The company endeavors to provide its clients financial services of the highest quality.

Auditors

The Board of Directors has proposed reappointment of the retiring auditors, Amin Mudassar & CO. Chartered Accountants, for the financial year ending June 30, 2019.

September 11, 2018

for & on behalf of the Board


Muhammad Yasir Mahmood
(Chief Executive)

Independent Auditor's Report to the members of YASIR MAHMOOD SECURITIES (PVT) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **YASIR MAHMOOD SECURITIES (PVT) LIMITED**, which comprise the statement of financial position as at June 30, 2018, and the profit or loss and statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit or loss and statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the loss, total comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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


CHARTERED ACCOUNTANTS
Lahore: 11 SEP 2018

Independent Assurance Report on the Internal Control system and Compliance Function of the Securities Brokers

To the members of Yasir Mahmood Securities (Pvt.) Limited

1- Introduction

We have undertaken a limited assurance engagement, as required under Regulation 35(5) of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) issued by the Securities and Exchange Commission of Pakistan (SECP), to assess whether during the period from July 01, 2017 to June 30, 2018, the Securities Broker has, in all material respects:

- a) maintained systems and controls adequate to identify with reasonable accuracy the assets held on behalf of the customer and distinguish such assets from the proprietary assets of the Securities Broker;
- b) implemented an adequate internal control system and compliance function commensurate with the size and nature of services performed by the Securities Broker; and
- c) has established a compliance function that performed its functions with efficiency.

2. Criteria

The criteria against which the Securities Broker's internal control system (including the controls implemented to identify assets held on behalf of the customer and distinguish such assets from the proprietary assets of the Securities Broker) and efficiency of compliance function is evaluated, are the internal controls and compliance procedures set out within the 'Guidelines for the Internal controls system and Compliance Function for the Securities Brokers' (the Guidelines) issued by the Securities and Exchange Commission of Pakistan read with the Regulations and the Securities Act, 2015. (the Criteria).

3. Responsibility of the Board of Directors/ Management

The Board of Directors/ management is responsible for establishing and maintaining systems and controls to identify and distinguish assets held on behalf of customers and establishing and maintaining an effective internal control system and compliance function in accordance with the Criteria. This responsibility includes designing, implementing and effectively operating throughout the period, the said systems, controls and compliance function commensurate with the size of the Securities Broker.

4. Limitations

Because of the inherent limitations of internal controls, including the possibility of collusion or management override of controls, material misstatements and significant deficiencies due to fraud or error may not be prevented or detected on a timely basis. Further, our limited assurance conclusion is based on the historical information provided by the management, and projection to future periods of any evaluation or conclusion about the suitability of design and/ or operating effectiveness of the internal controls and compliance function would be inappropriate.

5. Our Independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of

Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 'Quality Control for firms that perform Audits and Reviews of Historical Financial Information; and Other Assurance and Related Services Engagements' and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

6. Our responsibility and summary of work performed

Our responsibility is to express a limited assurance conclusion on the adequacy of systems and controls designed and implemented by the Securities Broker to identify and distinguish the assets held on behalf of the customer, and on the adequacy of internal control system and operation of the compliance function, based on the procedures which we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), 'Assurance Engagements Other than Audits or Reviews of Historical Financial Statements' issued by the International Auditing and Assurance Standards Board (the standard). The standard requires that we plan and perform this engagement to obtain limited assurance about whether systems over identification and distinguishing of assets held on behalf of customers, adequate internal controls and compliance function as required under the Regulations and explained under the Criteria were suitably designed and operated effectively to achieve the related control and compliance objectives, throughout the period from July 01, 2017 to June 30, 2018.

A limited assurance engagement involves assessing the suitability in the circumstances of Securities Broker's use of the Criteria as the basis for the systems and controls to identify and distinguish assets held on behalf of customers and the basis for internal control system and compliance function, assessing the risks of material misstatement and significant deficiencies due to fraud or error, responding to the assessed risks as necessary in the circumstances, assessing the effectiveness of internal control system and compliance function which commensurate with the size and nature of services performed by the Securities Broker. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures and the procedures performed in response to the assessed risks.

The procedures performed in a limited assurance engagement vary in nature and timing from, and as explained above are less in extent than the reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Accordingly, the procedures selected were based on our professional judgment. Within the scope of our work, we performed amongst other the following procedures:

- a) Visited the Securities Broker's office and discussed with management, compliance and operations team on the adequacy and effectiveness of internal controls and compliance function in accordance with the Guidelines;
- b) Reviewed the systems documentation, such as manuals, flow charts and job descriptions;
- c) Walk through of the internal controls procedures and compliance function procedures to gain understanding of implemented controls and procedures and assess control risks;
- d) Reviewed the reliability of the information and their operating effectiveness;
- e) Enquired from personnel to obtain relevant information or representation that included knowledge, additional information and affirmation regarding the control of procedures and compliance function procedures and corroborating evidence of the control procedures and compliance function procedures.

- f) Inspected, on a sample basis, of the documents and records indicating performance of the control procedures and compliance function including those relating to entity level controls, brokerage operations, finance, trade debts, investments, cash and bank, expenses and information technology;
- g) Observed the application or existence of specific control and compliance procedures as represented;
- h) Reviewed the Securities Broker's control and compliance function activities that contribute to the mitigation of risks to an acceptable level;
- i) Reviewed the Securities Broker's general control and compliance function activities over technology to support the achievement of objectives; and
- j) Re-performed, on a sample basis, the control or processing application of the control procedures and compliance function procedures to check the accuracy of their operation.


The procedures performed are related to the reporting period from July 01, 2017 to June 30, 2018 and did not extend to any assertions made by the Securities Broker regarding events subsequent to the period end. Further, the procedures included the review to the extent where such compliance can be objectively verified; and the authenticity of documents produced by the Securities Broker was not checked by contacting the respective parties.

7. Limited assurance conclusion

Our conclusion has been formed on the basis of the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe the Securities Broker in accordance with the Criteria, during the period from July 01, 2017 to June 30, 2018, in all material respects:

- (a) has not maintained systems and controls adequate to enable us to identify with reasonable accuracy, the assets held on behalf of the customer and distinguish such assets from the proprietary assets of the Securities Broker;
- (b) has not implemented an adequate internal control system and compliance function commensurate with the size and nature of services performed by the Securities Broker; and
- (c) has not established a compliance function that performed its functions with efficiency.


CHARTERED ACCOUNTANTS
ASSURANCE ENGAGEMENT PARTNER: MUHAMMAD AMIN

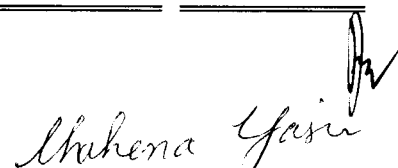
LAHORE: 25 OCT 2018

YASIR MAHMOOD SECURITIES (PVT) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	6	1,943,744	2,201,956
Intangible assets	7	7,814,167	9,529,167
Long term investments	8	9,168,970	12,008,103
Long term deposits	9	2,227,500	1,727,500
Deferred taxation	17	-	-
		21,154,381	25,466,726
CURRENT ASSETS			
Trade debts	10	6,712,477	9,761,393
Investment at fair value through profit and loss	11	18,106,127	25,684,366
Loans and advances	12	451,521	511,521
Trade deposits, short term prepayments and current account balances with statutory authorities	13	1,555,537	1,837,251
Other receivable	14	-	-
Interest accrued		73,240	69,213
Cash and bank balances	15	35,735,391	44,747,110
		62,634,293	82,610,854
		83,788,674	108,077,580
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	45,001,000	45,001,000
Un-appropriated profit		4,630,326	16,258,961
Fair value adjustment reserve		(8,069,067)	(5,228,004)
		41,562,259	56,031,957
NON CURRENT LIABILITIES			
Deferred taxation	17	149,372	-
CURRENT LIABILITIES			
Deposits, accrued liabilities and advances	18	274,297	230,352
Trade and other payable	19	38,555,360	51,666,434
Accrued interest		298,933	148,837
Loan from banking company	20	2,948,453	-
Provision for taxation		-	-
		42,077,043	52,045,623
CONTINGENCIES AND COMMITMENTS			
	21	-	-
		83,788,674	108,077,580

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


CHIEF EXECUTIVE

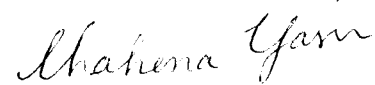

DIRECTOR

YASIR MAHMOOD SECURITIES (PVT) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Brokerage and commission	22	9,019,072	14,756,310
Capital gain on investment in listed securities		(118,625)	2,852,201
		8,900,447	17,608,511
Direct cost	23	1,935,004	2,107,439
		6,965,443	15,501,072
Operating expenses	24	(14,374,607)	(14,619,355)
Other operating expenses	25	(5,975,590)	(497,737)
Other operating income	26	4,147,865	5,357,408
		(16,202,332)	(9,759,684)
OPERATING (LOSS)/PROFIT		(9,236,889)	5,741,388
Finance cost	27	(904,374)	(533,183)
(LOSS)/PROFIT BEFORE TAXATION		(10,141,263)	5,208,205
Taxation	28	(1,487,372)	(1,259,788)
(LOSS)/PROFIT FOR THE YEAR		(11,628,635)	3,948,417
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EARNINGS PER SHARE-BASIC AND DILUTED	29	(2.58)	0.88

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


CHIEF EXECUTIVE

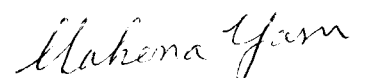

DIRECTOR

YASIR MAHMOOD SECURITIES (PVT) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
(Loss)/Profit for the year	(11,628,635)	3,948,417
Items that will not be reclassified subsequently to profit and loss account	-	-
Items that may be reclassified subsequently to profit and loss account:		
Loss on re-measurement of long term investment available for sale - Shares of LSE Financial Services	(2,796,601)	(5,851,107)
(Loss)/Gain on re-measurement of long term investment available for sale - Mutual funds	(44,462)	73,295
Other comprehensive loss for the year	(2,841,063)	(5,777,812)
Total comprehensive loss for the year	(14,469,698)	(1,829,395)

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


CHIEF EXECUTIVE

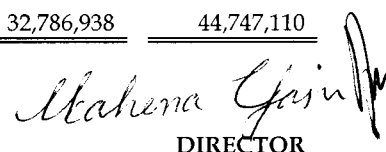

DIRECTOR

YASIR MAHMOOD SECURITIES (PVT) 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		(10,141,263)	5,208,205
Adjustments for non cash items:			
Depreciation	6	290,962	336,999
Amortization	7	115,000	111,850
Impairment		1,600,000	-
Interest expense		860,795	533,183
Unrealized (profit)/ loss on re-measurement of investments	11	4,366,835	403,620
Loss on disposal of fixed asset		-	1,823
		<u>7,233,592</u>	<u>1,387,475</u>
Operating cash Flows Before Working capital changes		(2,907,671)	6,595,680
Changes in Working Capital			
(Increase)/ decrease in current assets			
Accounts receivables		3,048,916	(3,238,662)
Loans and advances		60,000	(9,501)
Trade deposits, short term prepayments		(129,938)	11,784
Interest accrued		(4,027)	(25,384)
Increase / (decrease) in current liabilities			
Deposits, accrued liabilities and advances		43,945	-
Trade and other payable		(13,111,074)	5,211,773
		<u>(10,092,178)</u>	<u>1,950,010</u>
Cash Outflow From Operations		(12,999,849)	8,545,690
Taxes paid		(926,348)	(1,949,132)
Interest cost paid		(710,699)	(384,346)
		<u>(1,637,047)</u>	<u>(2,333,478)</u>
Net cash Flows From Operating Activities		(14,636,896)	6,212,212
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditures		(32,750)	(166,550)
Intangible asset purchased		-	(200,000)
Sales proceeds from disposal of fixes assets		-	5,100
Short term investments		3,211,404	(3,425,015)
Long term investment		(1,930)	46,583
Long term deposits		(500,000)	(500,000)
Net cash Flows From Investing Activities		2,676,724	(4,239,882)
CASH FLOWS FROM FINANCING ACTIVITIES			
		-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		(11,960,172)	1,972,328
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		44,747,110	42,774,782
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	A	<u>32,786,938</u>	<u>44,747,110</u>
A Cash and Cash Equivalents			
Short term running finance		(2,948,453)	-
Cash and bank balances		<u>35,735,391</u>	<u>44,747,110</u>
		<u>32,786,938</u>	<u>44,747,110</u>

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


CHIEF EXECUTIVE


DIRECTOR

YASIR MAHMOOD SECURITIES (PVT) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

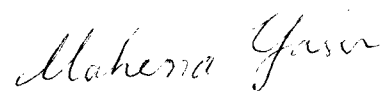
Paid up capital	Un-appropriated profit	Fair value adjustment reserve	Total
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Balance as at June 30, 2016	45,001,000	12,310,544	549,808	57,861,352
Profit after taxation	-	3,948,417	-	3,948,417
Other comprehensive loss	-	-	(5,777,812)	(5,777,812)
Total comprehensive loss for the year	-	3,948,417	(5,777,812)	(1,829,395)
Balance as at June 30, 2017	45,001,000	16,258,961	(5,228,004)	56,031,957
Loss after taxation	-	(11,628,635)	-	(11,628,635)
Other comprehensive loss	-	-	(2,841,063)	(2,841,063)
Total comprehensive loss for the year	-	(11,628,635)	(2,841,063)	(14,469,698)
Balance as at June 30, 2018	45,001,000	4,630,326	(8,069,067)	41,562,259

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


CHIEF EXECUTIVE


DIRECTOR

YASIR MAHMOOD SECURITIES (PVT) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1 COMPANY AND ITS OPERATION

- 1.1** Yasir Mahmood Securities (Private) Limited ("the Company") was incorporated on June 05, 2006 as a private limited Company under the repealed Companies Ordinance, 1984. The Company is principally engaged in the business of brokerage, financial consultancy, underwriting, portfolio management/acquisition of securities and securities research. The registered office of the Company is situated at 2nd Floor, Room # 205, 19- Khayaban-e-Aiwan-e-Iqbal, Lahore Stock Exchange Building, Lahore.

The company is holder of Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

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

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

2.2 ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention, except;

- Long term investments in LSE Financial Services Limited which is carried at fair value;
- Short term investments in quoted equity securities, units of mutual funds and term finance certificates / sukuks carried at fair value;
- Finance lease obligation which is measured at the present value of future minimum lease payments.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to

exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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

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

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

3.1 AMENDMENTS TO APPROVED ACCOUNTING STANDARDS AND INTERPRETATIONS WHICH ARE EFFECTIVE DURING THE YEAR ENDED JUNE 30, 2018

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

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

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

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

impacts of application of these IFRSs on the Company's future financial statements are being assessed. Further, IFRS 17 'Insurance contracts' is yet to be adopted by the SECP.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation.

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

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

4.2 INTANGIBLE ASSETS

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

4.2.1 Membership card and offices

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

4.2.2 Computer Software

Expenditure incurred to acquire identifiable computer software and having probable economic benefits exceeding the cost beyond one year, is recognized as an intangible asset. Such expenditure includes the purchase cost of software (license fee) and related overhead cost.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

Costs which enhance or extend the performance of computer software beyond its original specification and useful life is recognized as capital improvement and added to the original cost of the software.

Computer software and license costs are stated at cost less accumulated amortization and any identified impairment loss and amortized through straight line method using the rate specified in note 7.2 to the account.

Amortization is charged when asset is available for use until asset is disposed off.

4.3 FINANCIAL ASSETS

Financial assets are classified in the following categories: Held-to-maturity, at fair value

through profit or loss, available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

4.3.1 Held to Maturity

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

4.3.2 At fair value through profit and loss

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

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

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

4.3.3 Available-for-sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

Subsequent to initial recognition at cost, these are premeasured at fair value. The Company uses latest stock exchange quotations to determine the fair value of its quoted investments whereas fair value of investments in un-quoted companies is determined by applying the appropriate valuation techniques as permissible under IAS 39 (Financial Instruments: Recognition and Measurement). Gains or losses on available-for-sale investments are recognized directly in other comprehensive income until the investments are sold or disposed-off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously recognized in other comprehensive income, is re-classified from equity to profit and loss as re-classification adjustment.

4.3.4 Loans and Receivables

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

4.4 FINANCIAL LIABILITIES

Financial liabilities are initially measured at cost, which is the fair value, of the consideration given and subsequently carried at amortized cost using effective interest rate method.

4.5 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

4.6 TRADE DEBTS AND OTHER RECEIVABLES

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

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

4.7 CASH AND CASH EQUIVALENTS

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

4.8 SHARE CAPITAL

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

4.9 BORROWINGS

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

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


4.10 TAXATION

Current

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

Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary



differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

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

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

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

4.11 TRADE AND OTHER PAYABLES

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

4.12 PROVISIONS

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

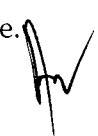
Contingent assets are not recognized and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognized and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

4.13 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

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

4.14 IMPAIRMENT

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



4.15 REVENUE RECOGNITION

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

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

4.16 BASIC AND DILUTED EARNINGS PER SHARE

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

4.17 RELATED PARTY TRANSACTIONS

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

4.18 TRADE DATE ACCOUNTING

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

5 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

During the current year, economic and political scenarios' deterioration had immense adverse effects on the performance of the equity bourse, depressing sentiments in the investment climate and subsequently denting volumes, resultantly investments portfolio yielded meager profits. This is reflected in Profit and Loss account.

For detail performance review of the company, refer to Directors' Report.



6 Property and equipment

Particulars	Cost				Rate %	Depreciation			W.D.V.	
	As at June 30, 2017	Additions	Deletion	As at June 30, 2018		As at June 30, 2017	charge for the year	Adjustment	As at June 30, 2018	As at June 30, 2018
	-----Rupees-----					-----Rupees-----				
OWNED										
Computers	1,454,425	21,800	-	1,476,225	33	1,161,363	99,708	-	1,261,071	215,154
Furniture and fixtures	224,964	-	-	224,964	10	139,263	8,570	-	147,833	77,131
Office equipment	520,686	-	-	520,686	10	326,867	19,382	-	346,249	174,437
Electric equipment	764,126	10,950	-	775,076	10	353,424	41,435	-	394,859	380,217
Vehicle	1,400,000	-	-	1,400,000	10	181,328	121,867	-	303,195	1,096,805
	4,364,201	32,750	-	4,396,951		2,162,245	290,962	-	2,453,207	1,943,744

6.1 Property and equipment

Particulars	Cost				Rate %	Depreciation			W.D.V.	
	As at June 30, 2016	Additions	Deletion	As at June 30, 2017		As at June 30, 2016	charge for the year	Adjustment	As at June 30, 2017	As at June 30, 2017
	-----Rupees-----					-----Rupees-----				
OWNED										
Computers	1,362,025	92,400	-	1,454,425	33	1,033,564	127,799	-	1,161,363	293,062
Furniture and fixtures	224,964	-	-	224,964	10	129,741	9,522	-	139,263	85,701
Office equipment	489,886	40,700	9,900	520,686	10	310,828	19,016	2,977	326,867	193,819
Electric equipment	730,676	33,450	-	764,126	10	308,170	45,254	-	353,424	410,702
Vehicle	1,400,000	-	-	1,400,000	10	45,920	135,408	-	181,328	1,218,672
	4,207,551	166,550	9,900	4,364,201		1,828,223	336,999	2,977	2,162,245	2,201,956

	Note	2018 Rupees	2017 Rupees
7 INTANGIBLE ASSETS			
Trading right entitlement certificate			
Rights of room		5,000,000	5,000,000
Trading right entitlement certificate (TREC)	7.1		
Carrying value as per July 01, 2018		4,100,000	4,100,000
Less : Impairment		(1,600,000)	-
		2,500,000	4,100,000
Computer software	7.2	314,167	429,167
		<u>7,814,167</u>	<u>9,529,167</u>

7.1 It represents Trading Right Entitlement Certificate (TREC) received from the Pakistan Stock Exchange Limited without any additional payment, in lieu of TREC issued by the Lahore Stock Exchange Limited, surrendered on, January 10, 2016 on the consequence of Scheme(s) of Integration approved by the Securities and Exchange Commission of Pakistan vide Order No. 01/2016 dated January 11, 2016 under regulation 6 (8) of the Stock Exchange (Corporatization, Demutualization and Integration) Regulations, 2012. The Trading Right Entitlement Certificate is pledged/mortgaged with the Pakistan Stock Exchange Limited as a collateral for running the brokerage business and to meet partly, the Base Minimum Capital Requirement. It has been carried at cost less impairment. During the year, the company has measured the TREC at its notional value of Rs. 2.5 million as per the notice no. PSX/N-7178 dated 10 November 2017 of Pakistan Stock Exchange Limited. The company has recorded impairment in the financial statements accordingly.

7.2 Computer software

Particulars	Cost			Amortization				W.D.V.
	As at June 30, 2017	Additions/ (Deletions)	As at June 30, 2018	Rate %	As at June 30, 2017	charge for the year	As at June 30, 2018	As at June 30, 2018
	-----Rupees-----				-----Rupees-----			
Computer software	1,659,000	-	1,659,000	20	1,229,833	115,000	1,344,833	314,167
	1,659,000	-	1,659,000		1,229,833	115,000	1,344,833	314,167

7.2.1 Computer software

Particulars	Cost			Amortization				W.D.V.
	As at June 30, 2016	Additions/ (Deletions)	As at June 30, 2017	Rate %	As at June 30, 2016	charge for the year	As at June 30, 2017	As at June 30, 2017
	-----Rupees-----				-----Rupees-----			
Computer software	1,459,000	200,000	1,659,000	20	1,117,983	111,850	1,229,833	429,167
	1,459,000	200,000	1,659,000		1,117,983	111,850	1,229,833	429,167

	Note	2018 Rupees	2017 Rupees
8 LONG TERM INVESTMENTS			
<i>Available for sale investments</i>			
Unquoted - shares of LSE Financial Services Limited:			
Cost as at July 01,		16,959,243	16,959,243
Fair value adjustment		(8,267,330)	(5,470,729)
	8.1	8,691,913	11,488,514
Investment in mutual funds:			
Cost as at July 01,		276,864	250,152
Add: Dividend reinvested		1,930	26,712
		278,794	276,864
Fair value adjustment		198,263	242,725
	8.2	477,057	519,589
		9,168,970	12,008,103

- 8.1** Pursuant to the promulgation of the Stock Exchanges (Corporation, Demutualization and Integration) Act, 2012 (The Act), The Lahore Stock Exchange Limited, now LSE Financial Services Limited allotted 843,975 shares of the face value of Rs. 10 each to the TREC holder. All shares are held in freeze status in the respective CDC sub-account of the TREC holder. The divestment of the same was to be made in accordance with the requirements of the Act within one year from the date of Scheme(s) of Integration approved by the Securities and Exchange Commission of Pakistan vide Order No. 01/2016 dated January 11, 2016 under regulation 6 (8) of the Stock Exchange (Corporatization, Demutualization and Integration) Regulations, 2012. The Company has pledged 843,875 shares of LSE Financial Services Limited with the Pakistan Stock Exchange to fulfill the Base Minimum Capital requirement.

The Company, as per its policy, carried out the valuation of the aforementioned investments. In this connection, the valuation technique used by the Company was Discounted Free Cash Flow to Equity model for business valuation. Assumptions and inputs used in the valuation technique mainly include risk-free rate, equity risk premium, long term growth rate and projected rates of increase in revenues, other income and expenses. Principal assumptions used in the valuation of above unquoted investments are 8% (2017: 7%) and 12.23% (2017: 12.91%) in respect of long term growth rate and cost of equity. Projection period of 5 years has been assumed.

	Note	2018 Rupees	2017 Rupees
8.2 Investment in mutual funds			
Carrying value July 01,		519,589	419,581
Dividend reinvested		1,930	26,712
Carrying value as at June 30,		521,519	446,293
(Loss)/Gain on re-measurement of fair value of investment as at June 30,		(44,462)	73,297
		477,057	519,589

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	Note	2018 Rupees	2017 Rupees
9 LONG TERM DEPOSITS			
Deposit with:			
National Clearing Company of Pakistan Ltd.	9.1	1,500,000	800,000
Pakistan Stock Exchange Limited		-	200,000
LSE Financial Services Limited		100,000	100,000
Central Depository Company Limited		100,000	100,000
Membership deposit-Royal Palm Country Club		400,000	400,000
Others		127,500	127,500
		<u>2,227,500</u>	<u>1,727,500</u>

9.1 This includes deposits amounting Rs.200,000 transferred by Pakistan Stock Exchange Limited for taking exposures in regular and future markets.

	Note	2018 Rupees	2017 Rupees
10 Trade debts			
Receivable from clients on account of:			
Purchase of shares on behalf of clients		1,372,916	1,405,139
Receivables from related party	10.1	239	-
Less: Provision for doubtful debts	10.2	(27,753)	(18,998)
	10.3	1,345,402	1,386,141
National Clearing Company of Pakistan Ltd.		5,367,075	8,375,252
		<u>6,712,477</u>	<u>9,761,393</u>

	Note	2018 Rupees	2017 Rupees
10.1 Receivable from related party			
Mrs. Mahena Yasir-Director		239	-

10.1.1 The maximum aggregate amount outstanding at the month-end balance was amounting Rs. 239.

	Note	2018 Rupees	2017 Rupees
10.2 Provision for doubtful debts			
Opening balance		18,998	-
Provision made during the year		8,755	18,998
		<u>27,753</u>	<u>18,998</u>
10.3 Aging Analysis			
Upto five days		203,570	31,800
More than five days		1,141,832	1,354,341
		<u>1,345,402</u>	<u>1,386,141</u>

	Note	2018 Rupees	2017 Rupees
11 INVESTMENT AT FAIR VALUE THROUGH PROFIT AND LOSS			
Listed Companies			
Carrying value	11.1	22,472,962	26,161,282
Loss on remeasurement of fair value of investment as at June 30,		<u>(4,366,835)</u>	<u>(476,916)</u>
		<u>18,106,127</u>	<u>25,684,366</u>

11.1 This includes shares having carrying value of Rs. 4,605,770 (2017: 1,908,150) pledged with National Clearing Company of Pakistan Limited.

	Note	2018 Rupees	2017 Rupees
12 LOANS AND ADVANCES			
Un-secured but considered good			
Advances to:			
Employees		<u>451,521</u>	<u>511,521</u>
13 TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND CURRENT ACCOUNT BALANCE WITH STATUTORY AUTHORITIES			
Deposits with:			
National Clearing Company of Pakistan Ltd	13.1	900,000	800,000
Prepayments		73,480	46,670
Tax deducted at source		570,860	982,512
Sales tax adjustable		<u>11,197</u>	<u>8,069</u>
		<u>1,555,537</u>	<u>1,837,251</u>

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

	Note	2018 Rupees	2017 Rupees
14 OTHER RECEIVABLE			
Other receivable		1,983,000	1,983,000
Less: Provision against other receivables	14.1	<u>(1,983,000)</u>	<u>(1,983,000)</u>
		<u>-</u>	<u>-</u>

14.1 This represents provision made against balance amount due from a former employee against fraud committed by him. The Company is pursuing the matter with the police and in a court of law and is hopeful that it will be able to recover the amount. However, as a matter of prudence, the balance amount receivable has been fully provided for in these financial statements.

		2018 Rupees	2017 Rupees
15 CASH AND BANK BALANCES			
These were held as under:			
In hand		9,719	371
Cash at bank :			
Current Accounts			
Pertaining to brokerage house		211,762	183,589
Pertaining to clients		72,233	32,109,032
		283,995	32,292,621
Deposit Accounts			
Pertaining to brokerage house	15.1	1,636,090	593,384
Pertaining to client accounts	15.1	33,805,587	11,860,734
		35,441,677	12,454,118
		35,725,672	44,746,739
		<u>35,735,391</u>	<u>44,747,110</u>

15.1 It carries markup ranging from @ 3.75% to 5.7% (2017: @ 3.75% to 5.2%) per annum.

16 SHARE CAPITAL

Authorized

10,000,000 (2017: 10,000,000) ordinary shares
of Rs.10 each

100,000,000 100,000,000

Issued, subscribed and paid up

4,500,100 (2017: 4,500,100) ordinary shares
of Rs.10 each fully paid in cash

45,001,000 45,001,000

16.1 Categories of shareholders

	% age of Shares Held		Number of Shares Held	
	2018	2017	2018	2017
Individuals				
Director				
Mrs. Mahena Yasir	0.01%	0.01%	450	450
Chief Executive				
Muhammad Yasir Mahmood	99.99%	99.99%	4,499,650	4,499,650
	<u>100%</u>	<u>100%</u>	<u>4,500,100</u>	<u>4,500,100</u>

	Note	2018 Rupees	2017 Rupees
17 DEFERRED TAXATION			
Deferred tax liabilities/(assets) arising due to:			
Accelerated tax depreciation		156,292	160,715
Accelerated tax amortization		(290)	(289)
Provision against receivables		(6,630)	(474,885)
Minimum Tax		-	(61,781)
		<u>149,372</u>	<u>(376,240)</u>
Balance as at July 01,		-	-
Less: charge for the year		<u>149,372</u>	<u>-</u>
		<u>149,372</u>	<u>-</u>

- 17.1 At the year end net taxable temporary differences amounting Rs. 515,077 which results in a net deferred tax liability of Rs. 149,372. Deferred tax asset on deductible temporary difference amounting Rs. 376,240 was not recognized in prior year being prudent.

	Note	2018 Rupees	2017 Rupees
18 DEPOSITS, ACCRUED LIABILITIES AND ADVANCES			
Accrued expenses		<u>274,297</u>	<u>230,352</u>
19 TRADE AND OTHER PAYABLE			
Creditors for sale of shares on behalf of clients	19.1 & 19.2	38,463,600	51,535,187
Tax deducted at source payables		13,491	11,030
Sales tax payable		<u>78,269</u>	<u>120,217</u>
		<u>38,555,360</u>	<u>51,666,434</u>

- 19.1 The total value of securities pertaining to clients are Rs. 730,447,654 (2017:Rs. 812,712,494) held in sub-accounts of the company. No security is pledged by client to the financial institutions except with NCCPL amounting Rs. 17,718,190 (2017:24,219,210) for exposure.

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

Name of related party	Basis of relationship	2018 Rupees	2017 Rupees
Muhammad Yasir Mahmood	Chief Executive	<u>120,900</u>	<u>53,796</u>

	Note	2018 Rupees	2017 Rupees
20 LOAN FROM BANKING COMPANY			
From financial instruction - Running finance	20.1	2,948,453	-
20.1 The company has been sanctioned a credit limit of Rs.15 million (2017: Rs.10 million) by the JS Bank Limited, Upper Mall Branch, Lahore. It is secured by pledge of proprietary shares registered with CDC and personal guarantee of the directors. It carries mark up at the rate of one month KIBOR plus 600 basis points (2017: 3 month KIBOR plus 2.5% spread with floor of 11.53% p.a.).			
21 CONTINGENCIES AND COMMITMENTS			
Contingencies			
Refer to note 16.1			
Commitments			
Commitments as at balance sheet date were Rs. Nil (2017: Rs. Nil).			
	Note	2018 Rupees	2017 Rupees
22 BROKERAGE AND COMMISSION			
Retail Customers		10,462,124	16,673,637
Institutional Customers		-	443,683
		10,462,124	17,117,320
Less: Sales Tax		(1,443,052)	(2,361,010)
	22.1	9,019,072	14,756,310
22.1 Name of related party	Basis of relationship		
Muhammad Yasir Mahmood	Chief Executive	26,414	355,202
Ms. Mahena Yasir	Director	-	2,080
		26,414	357,282
23 DIRECT COST			
Charges paid to:			
National Clearing Company trade fee		322,821	310,145
Central Depository Company charges		725,270	655,685
Pakistan Stock Exchange expense		146,024	213,430
LSE Financial services Limited expenses		75,092	13,145
Commission paid		665,797	915,034
		1,935,004	2,107,439

	Note	2018 Rupees	2017 Rupees
24 OPERATING EXPENSES			
Directors' remunerations		6,600,000	6,600,000
Salaries and other benefits		4,820,743	5,036,622
Rent, rates and taxes		48,654	45,088
Traveling and conveyance		47,872	154,720
Utilities		146,707	128,178
Communication charges		461,537	409,400
Printing and stationery		119,538	85,562
Repairs and maintenance		260,216	304,656
Fee and subscription		307,081	327,497
Legal and professional charges	24.1	515,130	401,084
News papers and periodicals		6,228	5,652
Entertainment		268,321	231,664
Insurance		103,848	142,926
Postage and telegram		176,663	133,585
Donation		-	100,000
Depreciation	6	290,962	336,999
Amortization	7	115,000	111,850
Miscellaneous expenses		86,107	63,872
		<u>14,374,607</u>	<u>14,619,355</u>

24.1 Auditors' remuneration

The audit fee and remuneration for other services included in the financial statements is as follows:

	Note	2018 Rupees	2017 Rupees
Amin, Mudassar & Co.			
Statutory audit		73,500	63,800
Certification fee		107,380	28,625
		<u>180,880</u>	<u>92,425</u>

25 OTHER OPERATING EXPENSES

Provision for doubtful debts		8,755	18,998
Loss on remeasurement of investment at fair value through profit & loss	11	4,366,835	476,916
Loss on sale of fixed asset		-	1,823
Impairment	7.1	1,600,000	-
		<u>5,975,590</u>	<u>497,737</u>

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	Note	2018 Rupees	2017 Rupees
26 OTHER OPERATING INCOME			
Income from financial assets			
Dividend income		642,338	1,043,368
Profit on bank deposit		2,350,191	3,075,163
		2,992,529	4,118,531
Income from assets other than financial assets			
Account maintenance and custody fee		774,751	811,164
Other income		380,585	427,713
		1,155,336	1,238,877
		4,147,865	5,357,408
27 FINANCE COST			
Markup on borrowings		860,795	500,940
Bank charges		43,579	32,243
		904,374	533,183
28 TAXATION			
Income tax:			
-Current		1,392,113	1,252,485
-Prior year		(54,113)	7,303
-Deferred		149,372	-
	28.1	1,487,372	1,259,788

28.1 No numeric tax rate reconciliation is presented for the current year as the company is either liable to pay tax under final tax regime or minimum tax us 113 of Income Tax Ordinance, 2001.

Reconciliation between tax expense and accounting profit	Note	2018 Rupees	2017 Rupees
Profit before taxation		-	5,208,205
Tax at applicable rate 31%		-	1,614,544
Tax effect of income under final tax regime		-	(359,763)
Tax effect of non-deductible expenses		-	28,704
Tax effect of prior year tax		-	7,303
Tax effect of tax credits		-	(31,000)
		-	1,259,788

28.2 The Company has been selected for tax audit under Section 214-D of the Income Tax Ordinance, 2001 for the audit of the Income Tax affairs U/S 177 for the tax year 2016 through notice no. 100000024391654 dated October 13, 2017 issued by the Deputy Commissioner Inland Revenue (DCIR). Further, the Income Tax Authorities initiated the proceedings U/S 122(9) of the Ordinance to amend the assessment order of aforesaid tax year through notice no. 100000030373722 dated Feburary 21, 2018. The Company has submitted all requisite

information with the Income Tax Authorities. However, no further correspondence has been received by the Company from the Income Tax Department till date.

The Income Tax Authorities has initiated the proceedings under Section 161 (1A) of the Income Tax Ordinance, 2001, against the Company for the tax year 2013, 2014, 2015 and 2016. The company has duly complied the said notices by submitting requisite information with the income tax authorities. However, no order has been passed till date.

29 EARNINGS PER SHARE-BASIC AND DILUTED

(Loss)/Profit for the year - Rupees	<u>(11,628,635)</u>	<u>3,948,417</u>
Weighted average number of ordinary shares outstanding during the year - Numbers.	<u>4,500,100</u>	<u>4,500,100</u>
Earnings per share-Rupees	<u>(2.58)</u>	<u>0.88</u>

30 NUMBER OF EMPLOYEES

	2018 (-----N u m b e r-----)	2017
Number of employees at the end of year	<u>13</u>	<u>11</u>
Average number of employees during the year	<u>10</u>	<u>11</u>

31 REMUNERATION TO CHIEF EXECUTIVE AND DIRECTORS

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

	2018 -----Rupees-----		
	Chief Executive	Director	Total
Managerial Remuneration	<u>3,300,000</u>	<u>3,300,000</u>	<u>6,600,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>
	2017 -----Rupees-----		
Managerial Remuneration	<u>3,300,000</u>	<u>3,300,000</u>	<u>6,600,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>

The Chief Executive and directors are entitled to free use of cars according to the company's policy.

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	2018 Rupees	2017 Rupees
32 FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets and financial liabilities:		
Financial assets		
Financial instruments- available for sale		
Long term investment	<u>9,168,970</u>	<u>12,008,103</u>
Investment at fair value through profit and loss	<u>18,106,127</u>	<u>25,684,366</u>
Loans and receivables		
Long term deposits	2,227,500	1,727,500
Trade debts	6,712,477	9,761,393
Trade deposits	900,000	800,000
Interest accrued	73,240	69,213
Cash and bank balances	<u>35,725,672</u>	<u>44,746,739</u>
	<u>45,638,889</u>	<u>57,104,845</u>
Financial liabilities		
Financial liabilities at amortized cost		
Deposits, accrued liabilities and advances	274,297	230,352
Trade and other payables	38,555,360	51,666,434
Accrued interest	298,933	148,837
Loan from banking company	2,948,453	-
Provision for taxation	-	-
	<u>42,077,043</u>	<u>52,045,623</u>

33 FINANCIAL RISK MANAGEMENT

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

The company's exposure to financial risks, the way these risks affect revenues, expenses, assets, liabilities and forecast transactions of the company and the manner in which each of these risks are managed is as follows:

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to Credit Risk

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

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

	Note	2018 Rupees	2017 Rupees
Long term investment		9,168,970	12,008,103
Long term deposits		2,227,500	1,727,500
Trade deposits		1,555,537	1,837,251
Trade debts	33.1.1	6,712,477	9,761,393
Bank balances	33.1.2	35,735,391	44,747,110
		<u>55,399,875</u>	<u>70,081,356</u>

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

	2018 Rupees	2017 Rupees
The aging of trade debts at the reporting date was:		
Upto 1 month	6,387,397	6,238,810
1 to 6 months	25,194	852
More than 6 months	299,886	283,069
	<u>6,712,477</u>	<u>6,522,731</u>

33.1.2 Concentration of credit risk

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

Geographically there is no concentration of credit risk.

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

	Note rating	2018 Rupees	2017 Rupees
Cash at banks	A1+	<u>35,725,672</u>	<u>44,746,739</u>

b) Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

	2018			
	Carrying Amount	Contractual Cash Flows	Maturity up to one year	Maturity after one year
	-----R u p e e s-----			
Deposits, accrued liabilities and advances	274,297	274,297	274,297	-
Trade and other payables	38,555,360	38,555,360	38,555,360	-
Accrued interest	298,933	298,933	298,933	-
Loan from banking company	2,948,453	2,948,453	2,948,453	-
	<u>42,077,043</u>	<u>42,077,043</u>	<u>42,077,043</u>	<u>-</u>

	2017			
	Carrying Amount	Contractual Cash Flows	Maturity up to one year	Maturity after one year
	-----R u p e e s-----			
Deposits, accrued liabilities and advances	230,352	230,352	230,352	-
Trade and other payables	51,666,434	51,666,434	51,666,434	-
Accrued interest	148,837	148,837	148,837	-
Loan from banking company	-	-	-	-
	<u>52,045,623</u>	<u>52,045,623</u>	<u>52,045,623</u>	<u>-</u>

Liquidity Risk Management

The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the company ensures that it has sufficient cash on demand to meet expected operational cash flows, including serving of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer.

c) Market Risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk comprises of three types of risk: foreign exchange or currency risk, interest / mark up rate risk and price risk. The market risks associated with the Company's business activities are discussed as under:

i) Foreign Currency Risk


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

ii) Price Risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Presently, daily stock market fluctuation is controlled by government authorities with cap and floor of 5%. The restriction of floor prices reduces the volatility of prices of equity securities and the chances of market crash at any moment. The Company manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies, which includes disposing of its own equity investment and collateral held before it led the company to incur significant mark to market and credit losses. The Company is exposed to equity price risk since it has investments in quoted equity securities and also the company holds collaterals in the form of equity securities against their debtor balances at the reporting date.

iii) Sensitivity Analysis

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



	Fair Value Rupees	Hypothetical Price Change	Estimated Fair Value After Hypothetical 1 Change In Price Rupees	Hypothetical Increase/(De crease) in Share Holders' Equity Rupees
June 30, 2018	18,106,127	10% increase 10% decrease	19,916,740 16,295,514	1,810,613 (1,810,613)
June 30, 2017	25,684,366	10% increase 10% decrease	28,252,803 23,115,929	2,568,437 (2,568,437)

iii) Interest Rate Risk

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

Sensitivity Analysis

The company is exposed to interest rate risk in respect of its variable rate instruments. A 100 basis points increase in variable interest rates would have increased profit by Rs. 324,932 (2017: 124,541). A 100 basis points decrease in variable interest rate would have had an equal but opposite impact on profit. This sensitivity analysis is based on assumption that all variables, with the exception of interest rates, remain unchanged.

33.2 Fair value of financial instruments

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

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

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

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2) ; and

- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

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

	2018		
	Level 1	Level 2	Level 3
	-----Rupees-----		
Financial assets			
Investments available for sale	477,057	8,691,913	-
Investment at fair value through profit and loss	18,106,127	-	-
	<u>18,583,184</u>	<u>8,691,913</u>	<u>-</u>
	2017		
	Level 1	Level 2	Level 3
	-----Rupees-----		
Financial assets			
Investments available for sale	519,589	11,488,514	-
Investment at fair value through profit and loss	25,684,366	-	-
	<u>26,203,955</u>	<u>11,488,514</u>	<u>-</u>

33.3 Capital risk management

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

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

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

	2018 Rupees	2017 Rupees
Total borrowings	2,948,453	-
Total equity	<u>41,562,259</u>	<u>56,031,957</u>
Total capital	<u>44,510,712</u>	<u>56,031,957</u>
Gearing ratio	<u>7%</u>	<u>0%</u>

34 OPERATING SEGMENT

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

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

35 CORRESPONDING FIGURES

Corresponding figures have been rearranged/reclassified wherever needed for the purpose of better presentation, however, there were no material rearrangements except:


Reclassification from statement of financial position	Reclassification to statement of financial position	2017 Rupees
Capital work in progress	Long term deposits	100,000
Trade and other payables	Deposits, accrued liabilities and advances	230,352

36 GENERAL

Figures have been rounded off to the nearest of rupee.

37 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 11 SEP 2018 by the Board of Directors of the company.


CHIEF EXECUTIVE
DIRECTOR