

FAIRWAY SECURITIES (PVT) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

DIRECTORS' REPORT

The Board of Directors of Fairway Securities (Private) Limited ("the Company" or "Fairway") is pleased to present the Annual Report of 2018 along with the audited financial statements of the Company for the year ended June 30, 2018. Fairway is a leading brokerage house of Pakistan that provides a complete range of stock brokerage and financial services to a substantial and diversified clientele that includes Government institutions, private sector corporations, retail clients and high net worth individuals.

Overall Economy

Services Sector leading growth Pakistan's GDP registered growth of 5.8% in FY18 vs. 5.3% recorded last year but still behind regional players. The major thrust comes from Agriculture sector which grow by 3.81% during FY18 as compared to 3.5% in FY17. The services sector that expanded by 3.8% vs. 6% in FY17. Industrial sector grow at 5.8% vs. 4.61% in FY17. LSM sector shows slight and grow by 3.8% in FY 18 as compared to 3% in FY 17.

The fiscal deficit rose to 6.6% of GDP during FY 18 as compared to target of 5.8%, and 3.8% in FY 17 of GDP. The pace of tax collection grows up considerably to 14.1 percent, from 8.4 percent growth recorded in FY17, as compared to 21.3% growth recorded in FY16. Within FBR taxes, the growth in direct and indirect tax collection decelerated to 14.3 percent and 6.5 percent during FY18 from their respective growth rates of 12.9 percent and 6.5 percent in FY17. The growth in tax collection was partly a consequence of tax incentives provided to support exporting industries, agriculture and investment in the economy. It is also worth highlighting that growth in tax collection grows by 11.2 percent as compared to 9.5 percent in the nominal GDP. As a result, the tax to GDP ratio declined to 11.2 percent after rising consistently to 12.5 percent by FY17. The tax to GDP ratio in FY18 was also significantly lower compared to 12.9 percent target for the year. Despite the increase in tax revenues in absolute term, FBR tax to GDP ratio varied between 11.2 to 8.5 percent during the past 10 years. Furthermore, Pakistan had not received any amount CSF during the FY 2018 as compared to US\$550 Million in FY 2017 a decline of US\$550 million which will adversely affect the country's reserve position. The foreign Exchange reserves declines to US\$16.38bn in FY18 against US\$19.7bn in FY17.

Stock Market

The Pakistan Stock Exchange was been formed on January 11, 2016 after the merger of three stock exchanges Lahore Stock Exchange, Islamabad Stock Exchange & Karachi Stock Exchange but no major effect on revenue because the 95% of the trading was already done in Karachi stock exchange.

The Pakistan Stock Exchange decreased 4,654 points during the year due to political unrest and unfavorable market conditions, where average traded volume during the year stood at 43.3 billion shares valuing Rs.2.027 trillion declined in comparison to FY17 (50.70%) of traded volume 85.4 billion shares & (54.08%) of traded value Rs.3.748 trillion. Apart from key blue chips, few side board scripts gain investors' attention owing to their improving fundamentals during the period under review.

In December 2016, a consortium led by the China Financial Futures Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange won the bid to purchase a 40% stake in the Pakistan Stock Exchange.

There is a welcome development and is expected to lead to increased interest from China's investors in Pakistan's equity markets.

The Pakistan Stock Exchange witnessed overall bearish momentum during the year.

COMPANY'S PERFORMANCE

Given below is the financial summary of the Company, for the year ended June 30, 2018.

	2018	2017
Brokerage and operating income	7,518,957	23,684,884
Profit/ (Loss) after tax	(25,283,770)	353,164
Earnings Per Share (EPS)	(2.53)	0.05

The company incurred loss due decrease in revenues Rs.25,284 and EPS of (2.53) million during the FY 2017-2018 due to decrease in revenue up to Rs.16,166 million. The main cause of decrease in revenues was political unrest due to elections and unfavorable market conditions on the part of Government which badly hampered the economy and correspondingly performance of the stock market.

The management of the company is hopeful to increase revenues in next financial year post fresh elections and the formation of new Government.

FUTURE OUTLOOK

We are expecting improvement in the economy and better activity in capital markets. The management of the Company is committed to increase revenues and reduce business costs by aggressive marketing and taking strict financial measures.

PAYOUT FOR THE SHAREHOLDERS

Considering above stated factors, the Board of Directors does not recommend any payout this year.


 Chief Executive



September 13, 2018

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

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **FAIRWAY 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: 13 SEP 2018

FAIRWAY 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	4,987,787	6,213,738
Intangible assets	7	2,500,000	5,000,000
Long term investment	8	14,887,719	14,887,719
Long term deposits	9	2,161,200	2,371,200
		<u>24,536,706</u>	<u>28,472,657</u>
CURRENT ASSETS			
Trade debts	10	2,789,395	194,301,887
Loans and advances	11	6,390,000	5,000
Trade deposits, short term prepayments and current account balance with statutory authorities	12	2,930,992	2,717,705
Interest accrued		85,664	89,609
Cash and bank balances	13	214,626,208	115,527,930
		<u>226,822,259</u>	<u>312,542,131</u>
		<u>251,358,965</u>	<u>341,014,788</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	14	100,000,000	100,000,000
Accumulated loss		(36,949,427)	(11,665,657)
		<u>63,050,573</u>	<u>88,334,343</u>
LONG TERM LOAN	15	11,437,361	92,811,950
		<u>74,487,934</u>	<u>181,146,293</u>
NON CURRENT LIABILITIES			
Deferred taxation	16	-	-
Liabilities against assets subject to finance lease	17	1,798,342	3,484,788
		<u>1,798,342</u>	<u>3,484,788</u>
CURRENT LIABILITIES			
Deposits, accrued liabilities and advances	18	724,117	688,775
Trade and other payables	19	12,279,916	12,291,290
Current portion of liabilities against assets subject to finance lease		1,686,450	1,535,866
Accrued interest		3,751,005	3,069,249
Loan from banking company	20	150,964,203	125,998,527
Loan from related parties	21	5,667,000	12,800,000
		<u>175,072,689</u>	<u>156,383,707</u>
CONTINGENCIES AND COMMITMENTS			
	22	-	-
		<u>251,358,965</u>	<u>341,014,788</u>

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

CHIEF EXECUTIVE

DIRECTOR

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

	Note	2018 Rupees	2017 Rupees
Brokerage and commission	23	7,518,957	23,684,884
Direct cost	24	<u>(461,453)</u>	<u>(717,395)</u>
		7,057,504	22,967,489
Operating expenses	25	<u>(17,678,228)</u>	<u>(13,488,867)</u>
Other operating expense	26	<u>(2,508,028)</u>	<u>(12,304)</u>
Other income	27	<u>2,261,095</u>	<u>2,200,356</u>
		<u>(17,925,161)</u>	<u>(11,300,815)</u>
LOSS FROM OPERATIONS		(10,867,657)	11,666,674
Finance cost	28	<u>(13,659,382)</u>	<u>(11,005,152)</u>
(LOSS)/PROFIT BEFORE TAXATION		(24,527,039)	661,522
Taxation	29	<u>(756,731)</u>	<u>(308,358)</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(25,283,770)</u>	<u>353,164</u>
EARNINGS PER SHARE - BASIC AND DILUTED	30	<u>(2.53)</u>	<u>0.05</u>

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


 CHIEF EXECUTIVE


 DIRECTOR

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

	2018 Rupees	2017 Rupees
(Loss)/ profit for the year	(25,283,770)	353,164
Items that will not be reclassified subsequently to profit and loss account	-	-
Items that may be reclassified subsequently to profit and loss account:	-	-
Other comprehensive income for the year	-	-
Total comprehensive (loss)/income	(25,283,770)	353,164

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

CHIEF EXECUTIVE

DIRECTOR

FAIRWAY 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		(24,527,039)	661,522
Adjustments of items not involving movements of cash:			
Depreciation	6	1,225,951	664,063
Dividend income	27	(421,988)	(421,988)
Impairment on TREC		2,500,000	-
Bad debts		8,028	12,304
Interest income		(896,220)	(1,007,586)
Finance cost	28	13,114,858	11,005,152
		<u>13,530,629</u>	<u>10,451,947</u>
Operating cash flows Before Working capital changes		(8,996,410)	11,113,469
(Increase)/ Decrease in Working Capital			
(Increase)/ decrease in current assets			
Account receivables		191,404,464	(24,697,003)
Loans and advances		(6,385,000)	(5,000)
Trade deposits and short term prepayments			
Current account balance with statutory authorities		(100,411)	1,453,630
Increase / (decrease) in current liabilities			
Deposits, accrued liabilities and advances		35,342	-
Trade and other payables		(11,374)	(6,795,794)
		<u>184,943,021</u>	<u>(30,044,167)</u>
Cash Generated From Operations		175,946,611	(18,930,698)
Taxes paid		(869,607)	(1,664,428)
Finance cost paid		(12,433,104)	(9,615,128)
		<u>(13,302,711)</u>	<u>(11,279,556)</u>
Net cash flows From Operating Activities		162,643,900	(30,210,254)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		-	(110,100)
Lease key money		-	(1,201,200)
Liabilities against asset subject to finance lease		(1,335,862)	(1,329,000)
Interest income received		900,165	921,514
Dividend income received		421,988	421,988
		<u>(213,799)</u>	<u>(1,296,796)</u>
Net cash flows From Investing Activities		(213,799)	(1,296,796)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt/ (Repayment) of loan from chief executive		(81,374,589)	(22,095,883)
Loan from related parties		(7,133,000)	12,800,000
Share capital issued		-	50,000,000
Long term security deposit		210,000	-
Long term loan received		-	42,811,950
		<u>(88,297,589)</u>	<u>83,516,067</u>
Net Cash flows From Financing Activities		(88,297,589)	83,516,067
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		74,132,602	52,009,015
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(10,470,597)	(62,479,612)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	A	63,662,005	(10,470,597)
A. Cash and Cash Equivalents			
Cash and bank balances	13	214,626,208	115,527,910
Loan from banking company	20	(150,964,203)	(125,998,527)
		<u>63,662,005</u>	<u>(10,470,597)</u>

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

CHIEF EXECUTIVE

DIRECTOR

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

	Paid up capital	Accumulated loss	Subtotal	Long term loan	Total
	----- (R u p e e s) -----				
Balance as at June 30, 2016	50,000,000	(12,018,821)	37,981,179	50,000,000	87,981,179
Profit after taxation	-	353,164	353,164	-	353,164
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	353,164	353,164	-	353,164
Capital issued during the year	50,000,000	-	50,000,000	-	50,000,000
Loan received during the year	-	-	-	42,811,950	42,811,950
Balance as at June 30, 2017	100,000,000	(11,665,657)	88,334,343	92,811,950	181,146,293
Loss after taxation	-	(25,283,770)	(25,283,770)	-	(25,283,770)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	(25,283,770)	(25,283,770)	-	(25,283,770)
Loan repaid/adjusted	-	-	-	(81,374,589)	(81,374,589)
Balance as at June 30, 2018	100,000,000	(36,949,427)	63,050,573	11,437,361	74,487,934

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


CHIEF EXECUTIVE


DIRECTOR

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

1 COMPANY AND ITS OPERATION

- 1.1 The company was incorporated as Private Limited Company on May 3, 2006 under the repealed Companies Ordinance, 1984. The company is engaged in the business of share brokerage and investment in securities. The registered office of the Company is situated at 457 G-III, Johar Town, Lahore.

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

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.

4.3 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.

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

4.3.4 Loans and Receivables

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

4.4 FINANCIAL LIABILITIES

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

4.5 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

4.6 TRADE DEBTS AND OTHER RECEIVABLES

Trade debts and other receivables are recognized initially at cost which is the fair value of consideration to be received less provision for doubtful debts, if any. A provision for doubtful debt is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

4.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at fair value. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances at banks in current and deposit accounts and short term running finances with bank.



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

The company accounts for deferred taxation using the liability method on all timing differences which are considered reversible in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax is calculated at the rates expected to apply to the period when the related temporary differences reverse, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

4.11 TRADE AND OTHER PAYABLES

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

4.12 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 value through profit or loss are included in profit and loss account for the period in which they arise.
- Other revenues are recorded, as and when due, on accrual basis.

4.16 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. This is reflected in Profit and Loss account.

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

6 PROPERTY AND EQUIPMENT

Particulars	Cost		Rate %	Depreciation		WDV As at June 30, 2018
	As at June 30, 2017	Additions		As at June 30, 2017	Charge for the year	
-----Rupees-----						
OWNED						
Furniture and fittings	642,095	-	10	411,656	23,044	207,395
Computers	628,672	-	30	566,198	18,742	43,732
Office Equipment	2,232,812	-	20	1,957,907	54,961	219,924
Vehicles	113,130	-	20	76,068	7,412	29,650
	<u>3,616,709</u>	<u>-</u>		<u>3,011,829</u>	<u>104,179</u>	<u>500,701</u>
LEASED						
Vehicles	6,349,654	-	20	740,796	1,121,772	4,487,086
	<u>9,966,363</u>	<u>-</u>		<u>3,752,625</u>	<u>1,225,951</u>	<u>4,987,787</u>

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6.1 PROPERTY AND EQUIPMENT

Particulars	Cost		Rate %	Depreciation		WDV As at June 30, 2017
	As at June 30, 2016	Additions		As at June 30, 2016	Charge for the year	
-----Rupees-----						
OWNED						
Furniture and fittings	604,395	37,700	10	386,749	24,907	230,439
Computers	607,772	20,900	30	542,140	24,058	62,474
Office Equipment	2,181,312	51,500	20	1,892,868	65,039	274,905
Vehicles	113,130	-	20	66,803	9,265	37,062
	<u>3,506,609</u>	<u>110,100</u>		<u>2,888,561</u>	<u>123,269</u>	<u>604,880</u>
LEASED						
Vehicles	-	6,349,654	20	-	740,796	5,608,858
	<u>3,506,609</u>	<u>6,459,754</u>		<u>2,888,561</u>	<u>864,065</u>	<u>6,213,738</u>

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	Note	2018 Rupees	2017 Rupees
7 INTANGIBLE ASSETS			
Trading right entitlement certificate	7.1	5,000,000	5,000,000
Impairment	7.2	<u>(2,500,000)</u>	<u>-</u>
		<u>2,500,000</u>	<u>5,000,000</u>

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

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

	Note	2018 Rupees	2017 Rupees
8 LONG TERM INVESTMENT			
Available for sale investment			
Unquoted - Shares of LSE Financial Services Limited			
Cost as at July 01,		14,887,719	14,887,719
Impairment		<u>-</u>	<u>-</u>
	8.1	<u>14,887,719</u>	<u>14,887,719</u>

8.1 Pursuant to the promulgation of the Stock Exchanges (Corporation, Demutualization and Integration) Act, 2012 (The Act), The Lahore Sock Exchange Limited, now LSE Financial Services Limited 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 will be made in accordance with the requirements of the Act within one year from the date of Scheme(s) of Integration approved by the Securities and Exchange Commission of Pakistan vide Order No. 01/2016 dated January 11, 2016 under regulation 6 (8) of the Stock Exchange (Corporatization, Demutualization and Integration) Regulations, 2012. The Company has pledged 843,975 shares of LSE Financial Services Limited with the Pakistan Stock Exchange Limited to fulfill the Base Minimum Capital requirement. Under the current circumstances where active market is not available for such shares, Net Asset Value has been considered for impairment testing.

	Note	2018 Rupees	2017 Rupees
9 LONG TERM DEPOSITS			
Deposits with:			
LSE Financial Services Limited		360,000	330,000
Pakistan Stock Exchange Limited		-	200,000
National Clearing Company of Pakistan Limited	9.1	500,000	300,000
Central Depository Company of Pakistan Limited		100,000	100,000
Summit Bank Limited- Against leased assets		1,201,200	1,201,200
Others		-	240,000
		2,161,200	2,371,200

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

	Note	2018 Rupees	2017 Rupees
10 TRADE DEBTS			
Receivable from clients on account of:			
Purchase of shares on behalf of clients	10.3	2,744,295	185,895,689
Less: Balances written off		(8,028)	(12,304)
		2,736,267	185,883,385
Less: Provision for doubtful debts	10.1	(36,159)	(97,726)
	10.1.1	2,700,108	185,785,659
Brokerage commission		89,287	170,931
Receivable from National Clearing Company of Pakistan Limited		-	8,245,297
		2,789,395	194,201,887

10.1 Movement is as follows

Opening Balance	97,726	-
Provision made during the year	(61,567)	97,726
	36,159	97,726

10.1.1 Aging Analysis

Upto five days	2,348,644	177,633,401
More than five days	351,464	8,152,258
	2,700,108	185,785,659

	2018 Rupees	2017 Rupees
10.3 Receivable from related party		
Chief Executive		
Mr. Nadeem Javed	-	60,678,420

11 LOANS AND ADVANCES

Advances to: (unsecured but considered good)

Chief Executive	11.1 & 11.2	6,390,000	-
Employees		-	5,000
		<u>6,390,000</u>	<u>5,000</u>

11.1 Advance to Chief Executive-Mr. Nadeem Javed

Balance as at July 01,	-	-
Disbursed during the year	6,390,000	-
	<u>6,390,000</u>	<u>-</u>

11.2 This represents short term advance obtained by the chief executive of the company. As per terms of repayment of the advance, it would be settled within the next twelve months from the balance sheet date. The maximum aggregate amount outstanding at the month-end balance was amounting Rs. 6,390,000 and

12 TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND CURRENT ACCOUNT BALANCE WITH STATUTORY AUTHORITIES

Deposits with:

	Note	2018 Rupees	2017 Rupees
National Clearing Company of Pakistan Limited	12.1	895,000	849,000
Prepayments		251,781	197,370
Tax deducted at source		<u>1,784,211</u>	<u>1,671,335</u>
		<u>2,930,992</u>	<u>2,717,705</u>

12.1 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 at rates ranging from 2.89% to 3.80% (2017: 2.75% to 3.1%) per annum.

13 CASH AND BANK BALANCES	Note	2018 Rupees	2017 Rupees
These were held as under:			
Cash in hand		63,813	250,905
Cash at bank			
Current Account			
Pertaining to brokerage house		200,094,255	100,093,865
Pertaining to clients		-	-
		200,094,255	100,093,865
Deposit Account			
Pertaining to brokerage house	13.1	9,456	25,514
Pertaining to clients	13.1	14,458,684	15,157,646
		14,468,140	15,183,160
		214,562,395	115,277,025
		<u>214,626,208</u>	<u>115,527,930</u>

13.1 These carry markup rates ranging from 4.50% to 6.10% (2017: 3.60% to 6.10%) per annum.

14 SHARE CAPITAL	Note	2018 Rupees	2017 Rupees
Authorized			
10,000,000 (2017: 10,000,000) ordinary shares of Rs.10 each		<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid up			
10,000,000 (2017: 10,000,000) ordinary shares of Rs.10 each fully paid in cash		<u>100,000,000</u>	<u>100,000,000</u>
14.1 Movement account			
Balance as at July 01, 10,000,000 (2017: 5,000,000) ordinary shares of Rs. 10 issued during the year		100,000,000	50,000,000
		-	50,000,000
		<u>100,000,000</u>	<u>100,000,000</u>

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**14.2 Pattern of Shareholding:
Categories of shareholders**

Individual	% age of Shares Held		Number of Shares Held	
	2018	2017	2018	2017
Chief Executive				
Mr. Nadeem Javed	50%	50%	5,000,000	5,000,000
Director				
Mr. Wasim Ahmed	30%	30%	3,000,000	3,000,000
Shareholder				
Mr. Ahmad Bilal Chaud	20%	20%	2,000,000	2,000,000
	<u>100%</u>	<u>100%</u>	<u>10,000,000</u>	<u>10,000,000</u>

	Note	2018 Rupees	2017 Rupees
15 LONG TERM LOAN FROM CHIEF EXECUTIVE			
From related parties:			
Chief Executive-Mr. Nadeem Javed	15.1	<u>11,437,361</u>	<u>92,811,950</u>
15.1 Loan from director:			
Balance as at July 01,		92,811,950	50,000,000
Add: Loan received during the year		-	42,811,950
		<u>92,811,950</u>	<u>92,811,950</u>
Less: Adjustment/repayment during the year		81,374,589	-
	15.2	<u>11,437,361</u>	<u>92,811,950</u>

15.2 This represents interest free and un-secured loan obtained from the director of the company. The loan is subordinated to all other debts of the company. The loan is repayable after two years which would be subject to enough cash flows of the company. However, repayment of the loan may be deferred as mutually agreed.

	2018 Rupees	2017 Rupees
16 DEFERRED TAXATION		
Deferred credits/(debits) arising due to:		
Accelerated tax depreciation	(37,835)	(47,169)
Provision for doubtful debts	(10,185)	-
Leased asset	282,332	624,477
Brought forward losses	(4,421,631)	(5,426,459)
Minimum tax	(277,829)	-
	<u>(4,465,148)</u>	<u>(4,849,151)</u>
Balance as at July 01,	-	-
Add: charge for the year	-	-
	<u>-</u>	<u>-</u>

- 16.1 At the year end, net deductible temporary differences amounting Rs.14,439,034 (2017:Rs. 16,163,836) which results in a net deferred tax asset of Rs. 4,465,148 (2017:Rs. 4,849,151). However, deferred tax asset has not been recognized in these financial statements being prudent. Management is of the view that recognition of deferred tax asset shall be reassessed as at June 30, 2019.

Note	2018 Rupees	2017 Rupees
17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Balance as at July 01,	5,020,654	-
Add: Assets acquired during the year	-	6,349,654
	5,020,654	6,349,654
Less: Payments made during the year	(1,535,862)	(1,329,000)
	3,484,792	5,020,654
Less: Current portion shown under current liabilities	(1,686,450)	(1,535,866)
	<u>1,798,342</u>	<u>3,484,788</u>

- 17.1 The reconciliation between gross minimum lease payments, future finance cost and present value of minimum lease payments is as follows:

	2018		2017	
	Not later than one year	Later than one year but not later than Five years	Not later than one year	Later than one year but not later than Five years
----- R U P E E S -----				
Gross Minimum Lease Payments	1,829,664	1,810,086	1,820,970	3,626,824
Less: Finance cost allocated to future years	143,214	11,744	285,104	142,036
Present value of minimum lease payments	<u>1,686,450</u>	<u>1,798,342</u>	<u>1,535,866</u>	<u>3,484,788</u>

- 17.2 The Company has entered into lease agreement with Summit Bank Limited to acquire two vehicles. As per lease agreement the principal and markup are payable in thirty six installments. Effective mark-up rates, during the current financial year is KIBOR plus 3% per annum (2017: KIBOR plus 3%). The facility is secured against post dated cheques and personal guarantee of directors.

	Note	2018 Rupees	2017 Rupees
18 DEPOSITS, ACCRUED LIABILITIES AND ADVANCES			
Accrued expenses		<u>724,117</u>	<u>688,775</u>
19 TRADE AND OTHER PAYABLES			
Creditors for sale of shares on behalf of clients	19.1 & 19.2	11,634,884	12,291,290
Payable to National Clearing Company of Pakistan Limited		645,032	-
		<u>12,279,916</u>	<u>12,291,290</u>

19.1 The total value of securities pertaining to clients is Rs. 1,945,770,711 (2017: Rs. 2,281,026,978) held in sub-accounts of the company. Value of securities pledged of clients with National Clearing Company of Pakistan Limited is Rs.28,507,283 (2017: Rs. 4,275,954) against 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
Waseem Ahmed	Director	<u>15,830</u>	<u>7,006</u>

20 LOAN FROM BANKING COMPANY

From financial institutions

Summit Bank Limited - (secured) RF-I	20.1	37,419,919	46,110,917
Summit Bank Limited - (secured) RF-II	20.2	80,803,848	56,516,216
Silk Bank Limited - (secured) RF-I	20.3	23,740,436	23,371,394
Silk Bank Limited - (secured) RF-II	20.4	<u>9,000,000</u>	<u>-</u>
		<u>150,964,203</u>	<u>125,998,527</u>

20.1 This facility of Rs. 50.00 million (2017: Rs. 50.00 million) is available to the company under the mark up arrangement from Summit Bank Limited. Rate of mark up is Three Months KIBOR plus 3% per annum (2017: three months KIBOR plus 3% per annum). This facility is secured against pledge of shares of quoted companies with minimum margin of 30% on overall exposure and personal guarantee of directors.

20.2 This facility of Rs. 83.09 million (2017: Rs. 56.60 million) is available to the company under the mark up arrangement from Summit Bank Limited. Rate of mark up is Three Months KIBOR plus 4% per annum (2017: Three Months KIBOR plus 4% per annum). This facility

is secured by personal guarantee of directors, token registered mortgage of Rs.0.10 million and Equitable Mortgage with 30% margin on the market value of three properties which have been valued by independent valuers.

20.3 This facility of Rs. 25.00 million (2017: Rs. 25.00 million) is available to the company under the mark up arrangement from Silk Bank Limited. Rate of mark up is Three Months KIBOR plus 4.5% per annum (2017: Three Months KIBOR plus 4.5% per annum). This facility is secured by personal guarantee and pledge of shares of directors and their

20.4 This facility of Rs. 40.00 million (2017: Rs. nil) is available to the company under the mark up arrangement from Silk Bank Limited. Rate of mark up is Three Months KIBOR plus 4.5% per annum (2017: nil). This facility is secured by personal guarantee of directors. This facility is secured by mortgage of property of an associate and personal guarantee of directors and their associates.

20.5 Total value of pledged securities with financial institutions is as

	2018		2017	
	Number of Securities	Amount Rupees	Number of Securities	Amount Rupees
Clients	4,871,400	91,782,931	4,969,625	114,755,130
	<u>4,871,400</u>	<u>91,782,931</u>	<u>4,969,625</u>	<u>114,755,130</u>
		Note	2018 Rupees	2017 Rupees

21 LOAN FROM RELATED PARTIES

Loan from:

Mr. Nadeem Javed- Chief Executive	21.1	1,685,000	-
Mr. Wasim Ahmed-Director	21.2	3,982,000	12,800,000
		<u>5,667,000</u>	<u>12,800,000</u>

21.1 This represents interest free and un-secured loan obtained from Chief Executive of the company to meet the working capital requirements of the company. It was being utilized for the said purpose.

21.2 This represents interest free and un-secured loan obtained from director of the company to meet the working capital requirements of the company. It was being utilized for the said purpose.

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

Claim against the company not acknowledged as debt Rs.nil (2017: nil).

22.2 Commitments

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

	Note	2018 Rupees	2017 Rupees
23 BROKERAGE AND COMMISSION			
Retail Customers	23.1	8,498,669	25,384,205
Institutional Customers		223,321	2,090,260
		8,721,990	27,474,465
Less: Sales tax		(1,203,033)	(3,789,581)
		<u>7,518,957</u>	<u>23,684,884</u>

23.1 Commission from retail customers includes the commission earned from following related parties:

Name of related party	Basis of relationship	2018 Rupees	2017 Rupees
Nadeem Javed	Chief Executive	373,635	957,835
Wasim Ahmed	Director	200	75,803
Shamsa Nadeem	Close family member of chief executive	26,366	-
Muhamamd Hashim	Close family member of chief executive	45,560	-
		<u>445,761</u>	<u>1,033,638</u>

24 DIRECT COST

Charges paid to :

National Clearing Company of Pakistan Ltd.	235,872	249,749
Central Depository Company of Pakistan Ltd.	86,797	156,472
Pakistan Stock Exchange Ltd.	138,784	311,174
	<u>461,453</u>	<u>717,395</u>

	Note	2018 Rupees	2017 Rupees
25 OPERATING EXPENSES			
Directors' remuneration		2,700,000	3,000,000
Staff salaries and benefits		4,358,477	4,001,911
Rent, rates and taxes		1,672,707	1,986,295
Communication expenses		428,194	362,737
Utility charges		277,609	390,777
Travelling and conveyance		1,846,742	481,536
Printing and stationery		68,457	82,765
Repair and maintenance		881,281	276,025
Vehicle Running and maintenance		132,661	108,797
Legal and professional charges		183,500	129,800
Auditor's remuneration	25.1	223,950	206,950
Fee and subscription		205,604	708,139
Books and newspapers		4,251	3,497
Entertainment		1,461,065	229,178
Insurance		307,091	235,254
Depreciation	6	1,225,951	864,065
Security Services		54,500	222,240
Postage		24,502	21,708
Software charges		223,754	70,000
Others	25.2	1,397,932	107,193
		<u>17,678,228</u>	<u>13,488,867</u>

25.1 Auditors' remuneration

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

	2018 Rupees	2017 Rupees
Amin, Mudassar & Co.		
Statutory audit	168,000	157,500
Certification fee	52,500	49,450
	<u>220,500</u>	<u>206,950</u>

25.2 This includes penalty paid amounting Rs. 83,956 under the provisions of Income Tax Ordinance, 2001.

	Note	2018 Rupees	2017 Rupees
26 OTHER OPERATING EXPENSES			
Impairment on TRE Certificate		2,500,000	-
Balances written off		8,028	12,304
		<u>2,508,028</u>	<u>12,304</u>

	Note	2018 Rupees	2017 Rupees
27 OTHER OPERATING INCOME			
Income from financial assets			
Dividend income		421,988	421,988
Profit on deposit account		896,220	1,007,586
Provision for doubtful debts		61,567	(97,726)
NCCPL exposure profit		29,611	206,602
		<u>1,409,386</u>	<u>1,538,450</u>
Income from assets other than financial assets			
Advisory income		507,672	767,811
Physical shares conversion fee		445,516	-
		<u>953,188</u>	<u>767,811</u>
Less: sales tax		(131,479)	(105,905)
		<u>821,709</u>	<u>661,906</u>
Other income		30,000	-
		<u>2,261,095</u>	<u>2,200,356</u>
28 FINANCE COST			
Mark up on short term borrowings		12,830,002	10,650,501
Bank charges		544,524	98,352
Markup on lease		284,856	256,299
		<u>13,659,382</u>	<u>11,005,152</u>
29 TAXATION			
Income tax:			
-Current		756,731	308,358
-Prior years		-	-
-Deferred		-	-
		<u>756,731</u>	<u>308,358</u>

29.1 Income tax assessment of the Company have been finalized up to tax year 2017 on the basis of returns filed as the company did not receive any notice in this respect.

29.2 No numeric tax rate reconciliation is presented for the current and prior year ended 2018 as the company was either liable to pay tax under final tax regime or minimum tax u/s 113 of Income Tax Ordinance 2001.

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	2018	2017
30 EARNINGS PER SHARE - BASIC AND DILUTED		
Loss/(profit) for the year-Rupees	<u>(25,283,770)</u>	<u>353,164</u>
Weighted average number of ordinary shares outstanding during the year -Numbers	<u>10,000,000</u>	<u>6,890,411</u>
Earnings per share-Rupees	<u>(2.53)</u>	<u>0.05</u>

31 NUMBER OF EMPLOYEES

	2018 (N u m b e r)	2017
Total number of employees at the end of year	<u>15</u>	<u>13</u>
Average number of employees during the year	<u>16</u>	<u>13</u>

32 REMUNERATION TO CHIEF EXECUTIVE AND DIRECTORS

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

	Chief Executive		Directors	
	2018 Rupees	2017 Rupees	2018 Rupees	2017 Rupees
Managerial remuneration	2,454,545	2,727,273	-	-
Medical allowance	245,455	272,727	-	-
	<u>2,700,000</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>
Number of persons	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>
			2018 Rupees	2017 Rupees

33 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets and financial liabilities

Financial assets

Financial asset- available for sale

Long term investment	<u>14,887,719</u>	<u>14,887,719</u>
Loans and receivables		
Long term deposits	2,161,200	2,371,200
Trade debts	2,789,395	194,201,887
Loans and advances	6,390,000	-
Interest accrued	85,664	89,609
Trade deposits	895,000	849,000
Cash and bank balances	<u>214,626,208</u>	<u>115,527,930</u>
	<u>226,947,467</u>	<u>313,039,626</u>

	2018 Rupees	2017 Rupees
Financial liabilities		
Financial liabilities at amortized cost		
Deposits, accrued liabilities and advances	724,117	688,775
Trade and other payables	12,279,916	12,291,290
Loan from banking company	150,964,203	125,998,527
Loan from related parties	5,667,000	12,800,000
Markup on short term borrowings	3,751,003	3,069,249
Liabilities against assets subject to finance lease	1,798,342	3,484,788
Current portion of lease liability	1,686,450	1,535,866
	<u>176,871,031</u>	<u>159,868,495</u>

34 FINANCIAL RISK MANAGEMENT

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

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

a) Credit Risk

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

Exposure to Credit Risk

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, short term loans, deposits, receivable / payable against sale of securities and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery. The Company's management, as part of risk management policies and guidelines, reviews clients' financial position, considers past experience, obtain authorized approvals and

arrange for necessary collaterals in the form of equity securities to reduce credit risks and other factors. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

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

		2018 Rupees	2017 Rupees
Long term deposits		2,161,200	2,371,200
Trade debts	34.1.1	2,789,395	194,201,887
Loans and advances		6,390,000	-
Interest accrued		85,664	89,609
Bank balances	34.1.2	<u>214,562,395</u>	<u>115,277,025</u>
		<u>225,988,654</u>	<u>311,939,721</u>

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

	2018 Rupees	2017 Rupees
Upto 1 month	2,744,920	194,055,923
1 to 6 months	17,360	123,515
More than 6 months	<u>27,115</u>	<u>22,449</u>
	<u>2,789,395</u>	<u>194,201,887</u>

34.1.2 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:

		2018 Rupees	2017 Rupees
Cash at banks	Note rating		
	A1+	18,372	17,209
	A-1	<u>214,544,023</u>	<u>115,259,816</u>
		<u>214,562,395</u>	<u>115,277,025</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
Liabilities against assets subject to finance lease	3,484,792	3,484,792	1,686,450	1,798,342
Deposits, accrued liabilities and advances	724,117	724,117	724,117	-
Trade and other payables	12,279,916	12,279,916	12,279,916	-
Accrued markup	3,751,003	3,751,003	3,751,003	-
Loan from banking company	150,964,203	150,964,203	150,964,203	-
Loan from related parties	5,667,000	5,667,000	5,667,000	-
	<u>176,871,031</u>	<u>176,871,031</u>	<u>175,072,689</u>	<u>1,798,342</u>

	2017			
	Carrying Amount	Contractual Cash Flows	Maturity up to one year	Maturity after one year
	R	u	p	e
Liabilities against assets subject to finance lease	5,050,654	5,020,654	1,535,866	3,484,788
Deposits, accrued liabilities and advances	688,775	688,775	688,775	-
Trade and other payables	12,291,290	12,291,290	12,291,290	-
Accrued markup	3,069,249	3,069,249	3,069,249	-
Loan from banking company	125,998,527	125,998,527	125,998,527	-
Loan from related party	12,800,000	12,800,000	12,800,000	-
	<u>159,898,495</u>	<u>159,868,495</u>	<u>156,383,707</u>	<u>3,484,788</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. Further, the company has the support of its sponsors in respect of any liquidity shortfalls.

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

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.

Sensitivity Analysis

Currently, the Company is not exposed to any price risk as it does not hold any significant investments exposed to price risk at the reporting date.

iii) Interest Rate Risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from

mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

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

Sensitivity Analysis

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 decreased profit by Rs.1,364,961 (2017: 1,108,154). 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.

34.2 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
	R	u	p e e s
Financial assets			
Investments available for sale	-	14,887,719	-

	2017		
	Level 1	Level 2	Level 3
	R	u	p e e s
Financial assets			
Investments available for sale	-	14,887,719	-

34.3 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 fair value reserve and interest free long term loan obtained from the chief executive of the company classified as per TR- 32 are included in shareholders' equity:

	2018 Rupees	2017 Rupees
Total borrowings	158,429,545	142,283,315
Total equity	<u>74,487,934</u>	<u>181,146,293</u>
Total capital	<u>232,917,479</u>	<u>323,429,608</u>
Gearing ratio	<u>213%</u>	<u>79%</u>

35 OPERATING SEGMENT²

35.1 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.

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

36 CORRESPONDING FIGURES

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

Reclassification from statement of financial position	Reclassification to statement of financial position	2017 Rupees
Trade and other payables	Deposits, accrued liabilities	688,775
Short term borrowing	Loan from banking Company	125,998,527
Short term borrowing	Loan from related parties	12,800,000

37 GENERAL

Figures have been rounded off to the nearest of rupee.

38 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 13 SEP 2018 by the Board of Directors of the Company.



CHIEF EXECUTIVE



DIRECTOR