

**FAIRWAY SECURITIES PRIVATE LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2019**

## **DIRECTORS' REPORT**

The Board of Directors of Fairway Securities (Private) Limited ("the Company" or "Fairway") is pleased to present the Annual Report of 2019 along with the audited financial statements of the Company for the year ended June 30, 2019. 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**

Pakistan's GDP registered growth is 3.30% in FY19 vs. 5.80% recorded last year but still behind regional players. The Agriculture sector which grow by 0.85% during FY19 as compared to 3.81% in FY18. The services sector that expanded by 4.71% vs. 3.80% in FY18. Industrial sector grow at 1.40% vs. 5.80% in FY18. LSM sector shows slight and grow by 2.06% in FY 19 as compared to 3.8% in FY 18.

The fiscal deficit rose to 8.9% of GDP during FY 19 as compared to target of 4.9%, and 6.6% in FY 18 of GDP. The pace of tax collection grows up considerably to 12.3 percent, from 14.1 percent growth recorded in FY18, as compared to 14.4% growth recorded in FY17. 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 14.3 percent and 6.5 percent in FY18. The decline in tax collection was partly a consequence of poor performance of exporting industries, agriculture and investment in the economy. The tax to GDP ratio in FY19 was also significantly lower 13.9 % compared to 12 percent target for the year. Despite the increase in tax revenues in absolute term, FBR tax to GDP ratio varied between 12.6%. The foreign Exchange reserves declines to US\$14.48bn in FY19 against US\$16.38bn in FY18.

### **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 8,223 points during the year due to political unrest and unfavorable market conditions, where average traded volume during the year stood at 23.58 billion shares valuing Rs.1.275 trillion declined in comparison to FY18 (54.45%) of traded volume 43.30 billion shares & (50.70%) of traded value Rs.2.027 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 and shows the sign of recovery in the last quarter of the financial year.

**COMPANY'S PERFORMANCE**

Given below is the financial summary of the Company, for the year ended June 30, 2019.

	2019	2018
Brokerage and operating income	3,851,869	7,518,957
Profit/ (Loss) after tax	(24,817,682)	(25,283,770)
Earnings Per Share (EPS)	(2.48)	(2.53)

The company incurred loss of Rs.24.818 due to decrease in revenues and EPS of (2.48) million during the FY 2018-2019 due to decrease in revenue up to Rs.3.677 million. The main cause of decrease in revenues due to strict regulatory measures was taken by the Pakistan Stock Exchange, Securities & Exchange Commission of Pakistan, monetary tightening in response to correct the balance of payments and reduce the overall loan burden from economy.

The management of the company is hopeful to increase revenues in next financial year due to amendments in existing laws, regulations and familiarization of new laws relating to Anti-Money Laundering.

**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 30, 2019

**Independent Auditor's Report to the members of FAIRWAY SECURITIES (PRIVATE) LIMITED**  
**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the annexed financial statements of **FAIRWAY SECURITIES (PRIVATE) LIMITED**, which comprise the statement of financial position as at June 30, 2019, and the statement of 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, statement of 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, 2019 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 statement of 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, 2019.

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



CHARTERED ACCOUNTANTS

Lahore:

30 SEP 2019

**FAIRWAY SECURITIES (PVT) LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2019**

	Note	2019 Rupees	2018 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	6	416,926	4,987,787
Intangible assets	7	2,500,000	2,500,000
Long term investment	8	18,238,300	14,887,719
Long term deposits	9	860,000	2,161,200
		<u>22,015,226</u>	<u>24,536,706</u>
<b>CURRENT ASSETS</b>			
Trade debts	10	318,124	2,789,395
Loans and advances	11	-	6,390,000
Trade deposits, short term prepayments and current account balance with statutory authorities	12	4,271,217	2,930,992
Interest accrued		26,747	85,664
Cash and bank balances	13	214,323,050	214,626,208
		<u>218,939,138</u>	<u>226,822,259</u>
		<u>240,954,364</u>	<u>251,358,965</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	14	100,000,000	100,000,000
Accumulated loss		(61,767,109)	(36,949,427)
Fair value adjustment reserve		3,350,581	-
		<u>41,583,472</u>	<u>63,050,573</u>
<b>LONG TERM LOAN FROM CHIEF EXECUTIVE</b>	15	11,437,361	11,437,361
		<u>53,020,833</u>	<u>74,487,934</u>
<b>NON CURRENT LIABILITIES</b>			
Deferred taxation	16	-	-
Liabilities against assets subject to finance lease	17	-	1,798,342
		-	<u>1,798,342</u>
<b>CURRENT LIABILITIES</b>			
Deposits, accrued liabilities and advances	18	672,010	724,117
Trade and other payables	19	10,865,497	12,279,916
Current portion of liabilities against assets subject to finance lease		-	1,686,450
Accrued interest		14,859,520	3,751,003
Loan from banking company	20	148,947,313	150,964,203
Loan from related parties	21	12,589,191	5,667,000
		<u>187,933,531</u>	<u>175,072,689</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	22	-	-
		<u>240,954,364</u>	<u>251,358,965</u>

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

CHIEF EXECUTIVE



DIRECTOR



**FAIRWAY SECURITIES (PVT) LIMITED  
STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 Rupees	2018 Rupees
Brokerage and commission	23	3,851,869	7,518,957
Direct cost	24	(539,314)	(461,453)
		3,312,555	7,057,504
Operating expenses	25	(8,196,714)	(17,678,228)
Other operating expense	26	(27,792)	(2,508,028)
Other income	27	1,644,008	2,261,095
		(6,580,498)	(17,925,161)
<b>LOSS FROM OPERATIONS</b>		(3,267,943)	(10,867,657)
Finance cost	28	(21,373,472)	(13,659,382)
<b>LOSS BEFORE TAXATION</b>		(24,641,415)	(24,527,039)
Taxation	29	(176,267)	(756,731)
<b>LOSS FOR THE YEAR</b>		<u>(24,817,682)</u>	<u>(25,283,770)</u>
<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>	30	<u>(2.48)</u>	<u>(2.53)</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, 2019**

	2019 Rupees	2018 Rupees
Loss for the year	(24,817,682)	(25,283,770)
<b>Items that will not be reclassified subsequently to statement of profit or loss</b>		
Gain on investment categorised as fair value through other comprehensive income	9,545,357	-
<b>Items that may be reclassified subsequently to statement of profit or loss</b>		
Other comprehensive income for the year	9,545,357	-
<b>Total comprehensive loss</b>	<u>(15,272,325)</u>	<u>(25,283,770)</u>

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

CHIEF EXECUTIVE



DIRECTOR



FAIRWAY SECURITIES (PVT) LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(24,641,415)	(24,527,039)
<b>Adjustments of items not involving movements of cash:</b>			
Depreciation	6	607,269	1,225,951
Dividend income	27	(421,988)	(421,988)
Impairment on TREC		-	2,500,000
Bad debts		13,407	8,028
Interest income		(766,260)	(896,220)
Finance cost	28	21,357,136	13,114,858
		<u>20,789,564</u>	<u>15,530,629</u>
Operating cash Flows Before Working capital changes		(3,851,851)	(8,996,410)
<b>(Increase) / Decrease in Working Capital</b>			
<b>(Increase) / decrease in current assets</b>			
Account receivables		2,457,864	191,404,464
Loans and advances		6,390,000	(6,385,000)
Trade deposits and short term prepayments			
Current account balance with statutory authorities		(1,109,772)	(100,411)
<b>Increase / (decrease) in current liabilities</b>			
Deposits, accrued liabilities and advances		(52,107)	35,342
Trade and other payables		(1,414,419)	(11,374)
		<u>6,271,566</u>	<u>184,943,021</u>
<b>Cash Generated From Operations</b>		2,419,715	175,946,611
Taxes paid		(406,720)	(869,607)
Finance cost paid		(10,248,619)	(12,433,104)
		<u>(10,655,339)</u>	<u>(13,302,711)</u>
<b>Net cash Flows From Operating Activities</b>		(8,235,624)	162,643,900
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Long term security deposit		-	210,000
Sale proceeds against sale of fixed asset		3,963,592	
Liabilities against asset subject to finance lease		(2,183,592)	(1,535,862)
Interest income received		825,177	900,165
Dividend income received		421,988	421,988
		<u>3,027,165</u>	<u>(3,709)</u>
<b>Net cash Flows From Investing Activities</b>		3,027,165	(3,709)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipt/ (Repayment) of loan from chief executive		-	(81,374,589)
Loan from related parties		6,922,191	(7,133,000)
		<u>6,922,191</u>	<u>(88,507,589)</u>
<b>Net Cash Flows From Financing Activities</b>		6,922,191	(88,507,589)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		1,713,732	74,132,602
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		63,662,005	(10,470,597)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	A	<u>65,375,737</u>	<u>63,662,005</u>
<b>A Cash and Cash Equivalents</b>			
Cash and bank balances	13	214,323,050	214,626,208
Loan from banking company	20	(148,947,313)	(150,964,203)
		<u>65,375,737</u>	<u>63,662,005</u>

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

CHIEF EXECUTIVE



DIRECTOR



**AIRWAY SECURITIES (PVT) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Paid up capital	Acumulated loss	Fair value adjustment reserve	Subtotal	Long term loan	Total
----- (R u p e e s) -----						
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)
<b>Balance as at June 30, 2018</b>	<b>100,000,000</b>	<b>(36,949,427)</b>	<b>-</b>	<b>63,050,573</b>	<b>11,437,361</b>	<b>74,487,934</b>
Impact of reclassification (note 3.1)	-	-	(6,194,776)	(6,194,776)	-	(6,194,776)
<b>Balance as at June 30, 2018</b>	<b>100,000,000</b>	<b>(36,949,427)</b>	<b>(6,194,776)</b>	<b>56,855,797</b>	<b>11,437,361</b>	<b>68,293,158</b>
Loss after taxation	-	(24,817,682)	-	(24,817,682)	-	(24,817,682)
Other comprehensive income	-	-	9,545,357	9,545,357	-	9,545,357
Total comprehensive loss for the year	-	(24,817,682)	9,545,357	(15,272,325)	-	(15,272,325)
<b>Balance as at June 30, 2019</b>	<b>100,000,000</b>	<b>(61,767,109)</b>	<b>3,350,581</b>	<b>41,583,472</b>	<b>11,437,361</b>	<b>53,020,833</b>

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, 2019**

**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.

**2 BASIS OF PREPARATION**

**2.1 STATEMENT OF COMPLIANCE**

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

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

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

**2.2 ACCOUNTING CONVENTION**

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policy notes.

**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, 2019

There are certain new standards, interpretations and amendments to approved accounting standards which are mandatory for the Company's accounting periods beginning on or after July 1, 2018 but are considered not to be relevant or have any significant effect on the Company's financial reporting, except as mentioned below:

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

IFRS 15 introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognise revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those promised goods or services.

As a result, the Company has considered affects due to application of this standard and concluded that there is no material impact resulting from such adoption.

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

As a result of application of IFRS 9, investments in equity instrument of LSE Financial Services amounting Rs.14,887,719 as at July 1, 2018 have been reclassified from 'available for sale' to 'fair value through other comprehensive income'. In accordance with the transitional provisions of IFRS 9, comparative figures and their related gains/(losses) have been reclassified in the opening statement of changes in equity. Further, the company elected to present in other comprehensive income changes in fair value of these equity investment. As a result, asset with a cost of Rs.14,887,719 was reclassified from available-for-sale financial asset to financial asset at fair value through other comprehensive income (FVTOCI) on July 01, 2018. Further, all financial assets previously classified under the head 'loans and receivables' are now classified as 'amortised cost'

**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, 2019**

There are certain new standards, amendments and interpretations to the approved accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2019. However, these will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4.1 PROPERTY AND EQUIPMENT**

**Owned**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (if any).

Depreciation is charged on reducing balance method at the rates mentioned in the relevant notes to the financial statements. 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.

**Leased**

Assets subject to finance lease are stated lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregated amount of obligation relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are amortized over useful life of the assets or lease term whichever is shorter. Amortization of leased assets is charged to current year's income.

**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 reporting 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 reporting 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 relevant notes to the account.

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

#### 4.3 Financial instruments

##### 4.3.1 Financial assets

The Company classifies its financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

a) *Financial assets at amortised cost*

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

b) *Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Financial assets are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

Equity instrument financial assets/mutual funds are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established.

Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

#### **4.3.2 Financial liabilities**

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

#### **4.3.3 Off-setting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the financial statements if the Company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### **4.4 DERIVATIVE FINANCIAL INSTRUMENTS**

Derivatives are initially recognized at fair value. Any directly attributable transaction costs are recognised in the statement of profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in statement of profit or loss.

#### **4.5 TRADE DEBTS AND OTHER RECEIVABLES**

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognised at fair value. The Company holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortised cost using the effective interest method. Impairment of trade debts and other receivables is described in note 4.3.

#### **4.6 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of cash balances and call deposits. For the purpose of cash flow statement cash and cash equivalents comprise cash in hand, bank balances and running finances.

#### **4.7 SHARE CAPITAL**

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

#### **4.8 BORROWINGS**

Borrowings are recorded initially at fair value, net of transaction cost incurred.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that qualifying asset.

#### **4.9 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 reporting 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.

#### **4.10 TRADE AND OTHER PAYABLES**

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

#### **4.11 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 reporting 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.

#### **4.12 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION**

Transactions denominated in foreign currencies are translated to Pakistan Rupees at the exchanges rate ruling at the date of transaction.

Monetary assets and liabilities in foreign currencies at reporting date are translated into Pakistan Rupees at exchange rates ruling on that date. 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 recognised in the profit and loss account.

#### **4.13 IMPAIRMENT OF NON-FINANCIAL ASSETS**

The carrying amounts of non-financial assets other than inventories, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised as an expense in the profit of loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessment of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

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#### 4.14 REVENUE RECOGNITION

Revenue is recognised when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable, net of any discounts and sales tax. Revenue is recognized on the following basis:

- Brokerage, consultancy and advisory fee, commission etc. are recognized as and when such services are provided, and thereby the performance obligations are satisfied.
- 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.
- Unrealised gains / (losses) arising on revaluation of securities classified as 'fair value through other comprehensive income' are included in other comprehensive income in the period in which they arise.
- Unrealised gains / (losses) arising on revaluation of securities classified as 'fair value through profit or loss' are included in profit or loss in the period in which they arise.
- Other revenues are recorded, as and when due, on accrual basis.

#### 4.15 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.

#### 4.16 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.

#### 4.17 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 statement of profit or loss account.

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

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6.1 PROPERTY AND EQUIPMENT

Particulars	Cost		Rate %	Depreciation			WDV As at June 30, 2018
	As at June 30, 2017	Additions		As at June 30, 2018	As at June 30, 2017	Charge for the year	
-----Rupees-----							
<b>OWNED</b>							
Furniture and fittings	642,095	-	10	411,656	23,044	434,700	207,395
Computers	628,672	-	30	566,198	18,742	584,940	43,732
Office Equipment	2,232,812	-	20	1,957,907	54,981	2,012,888	219,924
Vehicles	113,130	-	20	76,068	7,412	83,480	29,650
	3,616,709	-		3,011,830	104,179	3,116,008	500,701
<b>LEASED</b>							
Vehicles	6,349,654	-	20	740,796	1,121,772	1,862,568	4,487,086
	9,966,363	-		3,752,626	1,225,951	4,978,576	4,987,787

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6 PROPERTY AND EQUIPMENT

Particulars	Cost					Depreciation				WDV As at June 30, 2019		
	As at June 30, 2018	Additions	Transfer	Disposal	As at June 30, 2019	Rate %	As at June 30, 2018	Transfer	Disposal		Charge for the year	
OWNED												
Furniture and fittings	642,095	-	-	-	642,095	10	434,700	-	-	20,740	455,440	186,655
Computers	628,672	-	-	-	628,672	30	584,940	-	-	13,120	598,060	30,612
Office Equipments	2,232,812	-	-	-	2,232,812	20	2,012,888	-	-	43,985	2,056,873	175,939
Vehicles	113,130	-	6,349,654	(6,349,654)	113,130	20	83,480	2,236,492	(2,386,062)	155,500	89,410	23,720
	3,616,709	-	6,349,654	(6,349,654)	3,616,709		3,116,008	2,236,492	(2,386,062)	233,345	3,199,783	416,926
LEASED												
Vehicles	6,349,654	-	(6,349,654)	-	-	20	1,862,568	(2,236,492)	-	373,924	-	-
	9,966,363	-	-	(6,349,654)	3,616,709		4,978,576	-	(2,386,062)	607,269	3,199,783	416,926

6.1 The following operating fixed assets were disposed off during the year:

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/(loss)	Mode of disposal	Particulars of purchaser
Honda Civic	3,174,827	1,193,031	1,981,796	1,981,796	-	Negotiation	Nadeem Javaid Shaikh - Director
Honda Civic	3,174,827	1,193,031	1,981,796	1,981,796	-	Negotiation	Wasim Ahmad - Ex-Director
	6,349,654	2,386,062	3,963,592	3,963,592	-		

	Note	2019 Rupees	2018 Rupees
<b>7 INTANGIBLE ASSETS</b>			
Trading right entitlement certificate	7.1	2,500,000	5,000,000
Impairment		-	(2,500,000)
		<u>2,500,000</u>	<u>2,500,000</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.

	Note	2019 Rupees	2018 Rupees
<b>8 LONG TERM INVESTMENT</b>			
<b>Unquoted - Shares of LSE Financial Services Limited:</b>			
<i>At fair value through other comprehensive income</i>			
Cost as at July 01,		14,887,719	14,887,719
Fair value adjustment		<u>3,350,581</u>	<u>-</u>
	8.1	<u>18,238,300</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 had allotted 843,975 shares of the face value of Rs. 10 each to the TREC holder. All shares are held in freeze status in the respective CDC sub-account of the TREC holder. The divestment of the same 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 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 Cash Flow of Earnings method. Assumptions and inputs used in the valuation are post-tax earnings, historic growth rate of earning, rate of return on equity, risk premium. Principal assumptions used in the valuation of above unquoted investments are based on current market/industry conditions in respect of discount rate and growth rate. Business net cash flow forecast over an indefinite (infinity) has been assumed.

	Note	2019 Rupees	2018 Rupees
<b>9 LONG TERM DEPOSITS</b>			
<b>Deposits with:</b>			
LSE Financial Services Limited		360,000	360,000
National Clearing Company of Pakistan Ltd.		400,000	500,000
Central Depository Company of Pakistan Ltd.		100,000	100,000
Summit Bank Limited- Against leased assets		-	1,201,200
		<u>860,000</u>	<u>2,161,200</u>
<b>10 TRADE DEBTS</b>			
<b>Receivable from clients on account of:</b>			
Purchase of shares on behalf of clients		281,474	2,744,295
Less: Balances written off		(13,407)	(8,028)
		268,067	2,736,267
Less: Provision for doubtful debts	10.1	(50,544)	(36,159)
	10.1.1	<u>217,523</u>	<u>2,700,108</u>
Brokerage commission		100,601	89,287
		<u>318,124</u>	<u>2,789,395</u>
<b>10.1 Movement is as follows</b>			
Opening Balance		36,159	97,726
Provision made during the year		14,385	(61,567)
		<u>50,544</u>	<u>36,159</u>
<b>10.1.1 Aging Analysis</b>			
Upto five days		-	2,348,644
More than five days		268,066	351,464
		<u>268,066</u>	<u>2,700,108</u>
<b>11 LOANS AND ADVANCES</b>			
<b>Advances to: (unsecured but considered good)</b>			
Chief Executive	11.1 & 11.2	-	6,390,000
<b>11.1 Advance to Chief Executive-Mr. Nadeem Javed</b>			
Balance as at July 01,		6,390,000	-
(Received)/ disbursed during the year		(6,390,000)	6,390,000
		<u>-</u>	<u>6,390,000</u>

11.2 This represented short term advance obtained by the chief executive of the company. As per terms of repayment the Chief Executive has settled the advances during the year. The maximum aggregate amount outstanding at the month-end balance was amounting Rs. 6,390,000.

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

	Note	2019 Rupees	2018 Rupees
<b>Deposits with:</b>			
National Clearing Company of Pakistan Ltd.	12.1	2,115,000	895,000
Prepayments		141,553	251,781
Tax deducted at source		2,014,664	1,784,211
		<u>4,271,217</u>	<u>2,930,992</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 3.5% to 10% (2018: 2.8% to 3.8%) per annum.

13 **CASH AND BANK BALANCES**

These were held as under:

Cash in hand 46,959 63,813

Cash at bank

Current Account

Pertaining to brokerage house  
Pertaining to clients

203,166,892	200,094,255
-	-
203,166,892	200,094,255
<b>Deposit Account</b>	
Pertaining to brokerage house	13.1
Pertaining to clients	13.1
1,652	9,456
11,107,547	14,458,684
11,109,199	14,468,140
214,276,091	214,562,395
<u>214,323,050</u>	<u>214,626,208</u>

13.1 These carry markup rates ranging from 4.50% to 10.25% (2018: 4.50% to 6.10%) per annum.

	Note	2019 Rupees	2018 Rupees
<b>14 SHARE CAPITAL</b>			
<b>Authorized</b>			
10,000,000 (2018: 10,000,000) ordinary shares of Rs.10 each		<u>100,000,000</u>	<u>100,000,000</u>
<b>Issued, subscribed and paid up</b>			
10,000,000 (2018: 10,000,000) ordinary shares of Rs.10 each fully paid in cash		<u>100,000,000</u>	<u>100,000,000</u>

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

Individual	% age of Shares Held		Number of Shares Held	
	2019	2018	2019	2018
<b>Chief Executive</b>				
Mr. Nadeem Javed	50%	50%	4,999,999	5,000,000
<b>Director</b>				
Mrs. Shamsa Nadeem	0.00001%	0%	1	-
<b>Shareholder</b>				
Mr. Wasim Ahmed	30%	30%	3,000,000	3,000,000
<b>Shareholder</b>				
Mr. Ahmad Bilal Chaudhry	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	2019 Rupees	2018 Rupees
<b>15 LONG TERM LOAN FROM CHIEF EXECUTIVE</b>			
From related parties:			
Chief Executive-Mr. Nadeem Javed	15.1	<u>11,437,361</u>	<u>11,437,361</u>
<b>15.1 Loan from director:</b>			
Balance as at July 01,		11,437,361	92,811,950
Add: Loan received during the year		-	-
		<u>11,437,361</u>	<u>92,811,950</u>
Less: Adjustment/repayment during the year		-	81,374,589
	15.2	<u>11,437,361</u>	<u>11,437,361</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.

16 DEFERRED TAXATION	2019 Rupees	2018 Rupees
Deferred credits/(debits) arising due to:		
Accelerated tax depreciation	(33,311)	(37,835)
Provision for doubtful debts	(14,208)	(10,185)
Leased asset	-	282,332
Brought forward losses	(10,754,448)	(4,421,631)
Minimum tax	(390,798)	(277,829)
	<u>(11,192,765)</u>	<u>(4,465,148)</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.37,638,961 (2018: Rs.14,439,034) which results in a net deferred tax asset of Rs.11,192,765 (2018:Rs. 4,465,148). 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, 2020.

17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	Note	2019 Rupees	2018 Rupees
Balance as at July 01,		3,484,792	5,020,654
Add: Assets acquired during the year		-	-
		3,484,792	5,020,654
Less: Payments made during the year		<u>(3,484,792)</u>	<u>(1,535,862)</u>
		-	3,484,792
Less: Current portion shown under current liabilities		<u>-</u>	<u>(1,686,450)</u>
		<u>-</u>	<u>1,798,342</u>

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

2019		2018	
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

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Gross Minimum Lease Payments	-	-	1,829,664	1,810,086
Less: Finance cost allocated to future years	-	-	<u>143,214</u>	<u>11,744</u>
Present value of minimum lease payments	<u>-</u>	<u>-</u>	<u>1,686,450</u>	<u>1,798,342</u>

- 17.2 The Company had entered into lease agreement with Summit Bank Limited to acquire two vehicles. As per lease agreement the principal and markup was payable in thirty six installments. Effective mark-up rates, during the current financial year was KIBOR plus 3% per annum (2018: KIBOR plus 3%). The facility was secured against post dated cheques and personal guarantee of directors. During the year, the company has early repaid all the outstanding liabilities and utilized bargain purchase option against both vehicles.

	Note	2019 Rupees	2018 Rupees
<b>18 DEPOSITS, ACCRUED LIABILITIES AND ADVANCES</b>			
Accrued expenses		<u>672,010</u>	<u>724,117</u>
<b>19 TRADE AND OTHER PAYABLES</b>			
Creditors for sale of shares on behalf of clients	19.1 & 19.2	8,958,502	11,634,884
National Clearing Company of Pakistan Ltd.		<u>1,906,995</u>	<u>645,032</u>
		<u>10,865,497</u>	<u>12,279,916</u>

- 19.1 The total value of securities pertaining to clients is Rs. 1,658,062,147 (2018: Rs. 1,945,770,711) held in sub-accounts of the company. Value of securities pledged of clients with National Clearing Company of Pakistan Limited is Rs.19,726,915 (2018: Rs. 28,507,283) 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	2019 Rupees	2018 Rupees
Nadeem Javed	Chief Executive	86	-
Shamsa Nadeem	Director	507	-
Muhammad Hashim	Close family member of chief executive	163	-
Ahmad Bilal Chaudry	Close family member of chief executive	44,403	-
Wasim Ahmed	Major Shareholder	357	15,830
		<u>45,516</u>	<u>15,830</u>

## 20 LOAN FROM BANKING COMPANY

### From financial institutions

Summit Bank Limited - (secured) RF-I	20.1	-	37,419,919
Summit Bank Limited - (secured) RF-II	20.2	83,097,998	80,803,848
Silk Bank Limited - (secured) RF-I	20.3	23,740,436	23,740,436
Silk Bank Limited - (secured) RF-II	20.4	42,108,879	9,000,000
		<u>148,947,313</u>	<u>150,964,203</u>

- 20.1 This facility of Rs. 50.00 million (2018: Rs. 50.00 million) was available to the company under the mark up arrangement from Summit Bank Limited. Rate of mark up was Three Months KIBOR plus 3% per annum (2018: three months KIBOR plus 3% per annum). This facility was 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 (2018: Rs. 83.09 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 (2018: 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. The company has forwarded request to the financial institutions for the renewal of credit limits which are under process.
- 20.3 This facility of Rs. 25.00 million (2018: Rs. 25.00 million) is available to the company under the mark up arrangement from Silk Bank Limited. Rate of mark up is One Year KIBOR plus 4.5% per annum (2018: Three Months KIBOR plus 4.5% per annum). This facility is secured by personal guarantee and pledge of shares of directors and their associates.
- 20.4 This facility of Rs. 40.00 million (2018: Rs. 40.00 million) is available to the company under the mark up arrangement from Silk Bank Limited. Rate of mark up is One Year KIBOR plus 4.5% per annum (2018: Three Months KIBOR plus 4.5% per annum). 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 follows:

	2019		2018	
	Number of Securities	Amount Rupees	Number of Securities	Amount Rupees
Clients	4,454,125	49,851,325	4,871,400	91,782,931
	<u>4,454,125</u>	<u>49,851,325</u>	<u>4,871,400</u>	<u>91,782,931</u>

	Note	2019 Rupees	2018 Rupees
21 LOAN FROM RELATED PARTIES			
Loan from:			
Mr. Nadeem Javed- Chief Executive	21.2	12,589,191	1,685,000
Mr. Wasim Ahmed- Ex-Director	21.3	-	3,982,000
		<u>12,589,191</u>	<u>5,667,000</u>

21.1 Particulars of loan from related parties:

	Loan from Mr. Waseem Ahmed Rupees	Loan from Mr. Nadeem Javed Rupees
Loan received during the year	7,000,000	280,570,285
Loan repaid during the year	10,982,000	269,666,094

21.2 This represents interest free and un-secured loan obtained from the chief executive of the company. The loan is subordinated to all other debts of the company and is payable on demand of the lender.

21.3 This represented interest free and un-secured loan obtained from Ex-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 (2018: nil).

22.2 Commitments

Commitments as at reporting date were Rs. nil (2018: Rs. nil).

	Note	2019 Rupees	2018 Rupees
23 BROKERAGE AND COMMISSION			
Retail Customers	23.1	4,281,976	8,498,669
Institutional Customers		186,192	223,321
		4,468,168	8,721,990
Less: Sales tax		(616,299)	(1,203,033)
		<u>3,851,869</u>	<u>7,518,957</u>

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

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Name of related party	Basis of relationship	2019	2018
		Rupees	Rupees
Nadeem Javed	Chief Executive	127,387	373,635
Wasim Ahmed	Major Shareholder	140	200
Shamsa Nadeem	Close family member of chief executive	704	26,366
Muhamamd Hashim	Close family member of chief executive	19,718	45,560
		<u>147,949</u>	<u>445,761</u>
<b>24</b>	<b>DIRECT COST</b>		
	<b>Charges paid to :</b>		
	National Clearing Company of Pakistan Ltd.	197,675	235,872
	Central Depository Company of Pakistan Ltd.	280,582	86,797
	Pakistan Stock Exchange Ltd.	61,057	138,784
		<u>539,314</u>	<u>461,453</u>
<b>25</b>	<b>OPERATING EXPENSES</b>		
	Directors' remuneration	1,165,000	2,700,000
	Staff salaries and benefits	3,436,965	4,358,477
	Rent, rates and taxes	50,000	1,672,707
	Communication expenses	291,768	428,194
	Utility charges	205,495	277,609
	Travelling and conveyance	309,782	1,846,742
	Printing and stationery	83,531	68,457
	Repair and maintenance	150,815	881,281
	Vehicle Running and maintenance	62,610	132,661
	Legal and professional charges	195,050	183,500
	Auditor's remuneration	266,700	223,950
	Fee and subscription	93,870	205,604
	Books and newspapers	-	4,251
	Entertainment	282,194	1,461,065
	Insurance	313,044	307,091
	Depreciation	607,269	1,225,951
	Security Services	233,000	54,500
	Postage	20,011	24,502
	Software charges	288,852	223,754
	Others	140,758	1,397,932
		<u>8,196,714</u>	<u>17,678,228</u>

## 25.1 Auditors' remuneration

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

	2019 Rupees	2018 Rupees
<b>Amin, Mudassar &amp; Co.</b>		
Statutory audit	168,000	168,000
Certification fee	98,700	52,500
	<u>266,700</u>	<u>220,500</u>

25.2 This includes penalty paid amounting Rs. 94,341 under the provisions of Income Tax Ordinance, 2001.

	Note	2019 Rupees	2018 Rupees
<b>26 OTHER OPERATING EXPENSES</b>			
Impairment on TRE Certificate		-	2,500,000
Provision for doubtful debts		14,385	-
Balances written off		13,407	8,028
		<u>27,792</u>	<u>2,508,028</u>

## 27 OTHER OPERATING INCOME

### Income from financial assets

Dividend income	421,988	421,988
Profit on deposit account	766,260	896,220
Provision for doubtful debts	-	61,567
NCCPL exposure profit	135,151	29,611
	<u>1,323,399</u>	<u>1,409,386</u>

### Income from assets other than financial assets

Advisory income	-	507,672
Other income <sup>1</sup>	297,941	30,000
Physical shares conversion fee	73,965	445,516
	<u>371,906</u>	<u>983,188</u>
Less: sales tax	(51,297)	(131,479)
	<u>320,609</u>	<u>851,709</u>
	<u>1,644,008</u>	<u>2,261,095</u>

## 28 FINANCE COST

Mark up on short term borrowings	21,265,965	12,830,002
Bank charges	16,336	544,524
Markup on lease	91,171	284,856
	<u>21,373,472</u>	<u>13,659,382</u>

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	Note	2019 Rupees	2018 Rupees
<b>29 TAXATION</b>			
Income tax:			
-Current		176,267	756,731
-Prior years		-	-
-Deferred		-	-
		<u>176,267</u>	<u>756,731</u>

29.1 Income tax assessment of the Company have been finalized up to tax year 2018 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.

	2019	2018
<b>30 EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Loss for the year-Rupees	<u>(24,817,682)</u>	<u>(25,283,770)</u>
Weighted average number of ordinary shares outstanding during the year -Numbers	<u>10,000,000</u>	<u>10,000,000</u>
Earnings per share-Rupees	<u>(2.48)</u>	<u>(2.53)</u>

**31 NUMBER OF EMPLOYEES**

	2019 ( N u m b e r )	2018
Total number of employees at the end of year	<u>11</u>	<u>15</u>
Average number of employees during the year	<u>13</u>	<u>16</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	
	2019 Rupees	2018 Rupees	2019 Rupees	2018 Rupees
Managerial remuneration	1,059,091	2,454,545	-	-
Medical allowance	105,909	245,455	-	-
	<u>1,165,000</u>	<u>2,700,000</u>	<u>-</u>	<u>-</u>
Number of persons	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>

	2019 Rupees	2018 Rupees
<b>33 FINANCIAL INSTRUMENTS BY CATEGORY</b>		
<b>Financial assets and financial liabilities</b>		
<b>Financial assets</b>		
<b>At fair value through other comprehensive income:</b>		
Long term investment	<u>18,238,300</u>	<u>14,887,719</u>
<b>At Amortised Cost:</b>		
Long term deposits	860,000	2,161,200
Trade debts	318,124	2,789,395
Loans and advances	-	6,390,000
Interest accrued	26,747	85,664
Trade deposits	2,115,000	895,000
Cash and bank balances	<u>214,323,050</u>	<u>214,626,208</u>
	<u>217,642,921</u>	<u>226,947,467</u>
<b>Financial liabilities</b>		
<b>Financial liabilities at amortized cost</b>		
Deposits, accrued liabilities and advances	672,010	724,117
Trade and other payables	10,865,497	12,279,916
Loan from banking company	148,947,313	150,964,203
Loan from related parties	12,589,191	5,667,000
Markup on short term borrowings	14,859,520	3,751,003
Liabilities against assets subject to finance lease	-	1,798,342
Current portion of lease liability	<u>-</u>	<u>1,686,450</u>
	<u>187,933,531</u>	<u>176,871,031</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:

		2019 Rupees	2018 Rupees
Long term deposits		860,000	2,161,200
Trade debts	34.1.1	318,124	2,789,395
Loans and advances		-	6,390,000
Interest accrued		26,747	85,664
Bank balances	34.1.2	<u>214,276,091</u>	<u>214,562,395</u>
		<u>215,480,962</u>	<u>225,988,654</u>

34.1. 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:

	2019 Rupees	2018 Rupees
Upto 1 month	113,537	2,744,920
1 to 6 months	80,605	17,360
More than 6 months	<u>123,982</u>	<u>27,115</u>
	<u>318,124</u>	<u>2,789,395</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.

112

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	2019 Rupees	2018 Rupees
Cash at banks				
	34.1.2.1	Not Available	360	-
		A1+	-	18,372
		A-1	214,323,050	214,544,073
			<u>214,276,091</u>	<u>214,562,395</u>

34.1.2.1 Credit risk on this balance is limited because the banks are under strict regulatory framework of SBP and have statutory reserves with SBP.

#### 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:

	2019			
	Carrying Amount	Contractual Cash Flows	Maturity up to one year	Maturity after one year
	R	u	p	e
	e	e	s	
Liabilities against assets subject to finance lease	-	-	-	-
Deposits, accrued liabilities and advances	672,010	672,010	672,010	-
Trade and other payables	10,865,497	10,865,497	10,865,497	-
Accrued markup	14,859,520	14,859,520	14,859,520	-
Loan from banking company	148,947,313	148,947,313	148,947,313	-
Loan from related parties	12,589,191	12,589,191	12,589,191	-
	<u>187,933,531</u>	<u>187,933,531</u>	<u>187,933,531</u>	<u>-</u>

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	2018			
	Carrying Amount	Contractual Cash Flows	Maturity up to one year	Maturity after one year
	R	u	p	e
		e		s
Liabilities against assets subject to finance lease	5,050,654	5,020,654	1,535,866	3,484,788
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	3,069,249	3,069,249	3,069,249	-
Loan from banking company	150,964,203	150,964,203	150,964,203	-
Loan from related party	5,667,000	5,667,000	5,667,000	-
	<u>177,755,139</u>	<u>177,725,139</u>	<u>174,240,351</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

## 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.1,357,231 (2018: 1,364,961). 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.

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	2019 Rupees	2018 Rupees
Total borrowings	161,536,504	158,429,545
Total equity	<u>53,020,833</u>	<u>74,487,934</u>
Total capital	<u>214,557,337</u>	<u>232,917,479</u>
Gearing ratio	<u>305%</u>	<u>213%</u>

### 35 OPERATING SEGMENT

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, 2019 are located in Pakistan.

### 36 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and better presentation. However, there is no major reclassification to report.

### 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 30 SEP 2019 by the Board of Directors of the Company. *W*

CHIEF EXECUTIVE



DIRECTOR

