

INDEPENDENT AUDITORS' REPORT

To the members of Darson Securities (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **DARSON SECURITIES (PRIVATE) LIMITED**, which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss, the 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, the 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 30 June 2018 and of the loss and 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 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.

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, the statement of 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; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).
- e) The Company was in compliance with the requirement of section 78 of Securities Act 2015, and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the balance sheet was prepared.

The engagement partner on the audit resulting in this independent auditor's report is Faisal Iqbal Khawaja.



Parker Randall A.J.S.
Chartered Accountants
Lahore



Dated: 05th October 2018

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

		2018	2017
	Note	RUPEES	RUPEES
NON CURRENT ASSETS			
Property and equipment	4	7,395,504	6,604,602
Intangible assets	5	54,052,165	56,552,165
Long term investments	6	11,760,616	14,137,000
Long term deposits	7	1,800,000	2,100,000
		<u>75,008,285</u>	79,393,767
CURRENT ASSETS			
Trade receivable - considered good	8	65,997,044	66,430,091
Loan and advances	9	67,402,969	48,208,688
Short term deposits, prepayments and other receivables	10	54,775,610	52,652,243
Short term investments	11	71,243,672	85,929,413
Tax refund due from the government	12	30,559,490	30,303,514
Cash and bank balances	13	38,278,559	61,772,734
		<u>328,257,344</u>	345,296,683
TOTAL ASSETS		<u>403,265,629</u>	<u>424,690,450</u>
EQUITY AND LIABILITIES			
Authorized Share Capital		<u>500,000,000</u>	<u>500,000,000</u>
5,000,000 (2017: 5,000,000) ordinary shares of Rs. 100 each			
Issued, subscribed and paid up share capital	14	200,000,000	200,000,000
Accumulated profit		156,356,493	166,344,835
		<u>356,356,493</u>	366,344,835
CURRENT LIABILITIES			
Trade and other payables	15	46,909,136	58,345,615
CONTINGENCIES AND COMMITMENTS	16	-	-
TOTAL EQUITY & LIABILITIES		<u>403,265,629</u>	<u>424,690,450</u>

The annexed notes from 1 to 36 form an integral part of these financial statements.

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Chief Executive


Director



ARSON SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 RUPEES	2017 RUPEES
Brokerage income	17	51,342,818	32,704,081
(Loss)/ gain on re-measurement of investments through profit or loss	18	(5,574,395)	25,621,308
(Loss)/ gain on disposal of investments - net		(2,740,332)	80,845,906
Dividend Income		2,316,097	3,487,373
		<u>45,344,188</u>	<u>142,658,668</u>
Less:			
Operating and administrative expenses	19	47,966,194	36,352,771
Finance cost	20	56,402	180,978
		<u>48,022,596</u>	<u>36,533,749</u>
(Loss)/ profit from operations		<u>(2,678,408)</u>	<u>106,124,919</u>
Other income	21	-	758,827
Other operating expense	22	(853,281)	(14,824,454)
(Loss)/ profit before taxation		<u>(3,531,689)</u>	<u>92,059,292</u>
Taxation	23	(6,456,653)	(2,727,593)
(Loss)/ profit after taxation		<u>(9,988,342)</u>	<u>89,331,699</u>
(Loss)/ earning per share - basic & diluted	24	<u>(4.99)</u>	<u>44.67</u>

The annexed notes from 1 to 36 form an integral part of these financial statements.

Mr. D. Arson
CHIEF EXECUTIVE

Mr. D. Arson
DIRECTOR



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

	Note	2018 RUPEES	2017 RUPEES
(Loss) / Profit after taxation		(9,988,342)	89,331,699
Other comprehensive income			
Total comprehensive (loss) / profit		<u>(9,988,342)</u>	<u>89,331,699</u>

The annexed notes from 1 to 36 form an integral part of these financial statements. *fix*

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CHIEF EXECUTIVE

Darson
DIRECTOR



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

	Issued, subscribed and paid-up capital	Unappropriated profit	Total Equity
	(Rupees)		
Balance as at June 30, 2016	200,000,000	77,013,136	277,013,136
Total comprehensive income for the year		89,331,699	89,331,699
Balance as at June 30, 2017	<u>200,000,000</u>	166,344,835	366,344,835
Total comprehensive loss for the year		(9,988,342)	(9,988,342)
Balance as at June 30, 2018	<u><u>200,000,000</u></u>	<u><u>156,356,493</u></u>	<u><u>356,356,493</u></u>

The annexed notes from 1 to 36 form an integral part of these financial statements.



Chief Executive



Director



DARSON SECURITIES (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 RUPEES	2017 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/ profit before taxation		(3,531,689)	92,059,292
Adjustments for :			
- Depreciation		932,302	1,009,101
- Impairment loss		2,500,000	-
- Bad debts		853,281	14,824,454
- Unrealised (loss)/ gain on investments		5,574,395	(25,621,308)
- (Loss)/ gain on short term investments		2,740,332	-
- Finance cost		56,402	180,978
Cash generated from operating activities before working capital changes		12,656,712	(9,606,775)
Decrease / (increase) in current assets:		9,125,023	82,452,517
Trade receivables			
Loans and advances		(420,234)	44,923,854
Short term deposits and prepayments		(19,194,281)	(48,208,688)
(Decrease) / increase in current liabilities:		(2,123,367)	(42,352,574)
Trade payables and other payables		(11,436,479)	4,785,518
Financial charges paid during the year		(33,174,361)	(40,851,890)
Taxes paid during the year		(56,402)	(180,978)
Net cash (used in) / generated from operating activities		(6,712,629)	(17,142,750)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(1,723,204)	(1,105,800)
Short term investments - net		8,747,398	16,726,044
Long term investment		-	6,499,040
Long term deposits		300,000	-
Net cash generated from investing activities		7,324,194	22,119,284
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of short term loan		-	
Net cash used in financing activities		-	(67,000,000)
Net (decrease) in cash and cash equivalents		(23,494,175)	(20,603,817)
Cash and cash equivalents at the beginning of the year		61,772,734	82,376,551
Cash and cash equivalents at the end of the year		38,278,559	61,772,734

The annexed notes from 1 to 36 form an integral part of these financial statements.

Mr. [Signature]
Chief Executive
 SECUITIES PVT LTD
 CODE 090

Director

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DARSON SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Note

1 STATUS AND NATURE OF BUSINESS

Darson Securities (Private) Limited ("the Company") was incorporated in Pakistan under the repealed Companies Ordinance, 1984 having CIUN 0041048 as a private limited company on March 11, 2000. The company is a TREC holder of Pakistan Stock Exchange Limited and had also acquired membership of the Pakistan Mercantile Exchange Limited (Formerly National Commodity Exchange Limited). It is principally engaged in the business of brokerage, underwriting, buying and selling of stocks, shares, modaraba certificates, etc. The registered office of the company is situated at Room no. 102, 1st Floor, Lahore Stock Exchange Building, Lahore.

1.1 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS OCCURRED DURING THE YEAR

- a) The Revenue of the company increased from Rs. 32,704,081 to Rs. 51,342,818 due to effective planning by the company.
- b) Due to applicability of the Companies Act, 2017 certain disclosures of the financial statements of the Company have been presented in accordance with the fifth schedule notified by the Securities and Exchange Commission of Pakistan vide S.R.O 1169 date 07 November 2017.
- c) The TREC has been impaired by Rs. 2.5 million.

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 such International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 (the Act), and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 *Basis of Measurement*

These financial statements have been prepared on the basis of 'historical cost' convention, except for certain short term investments which are stated at fair value and as otherwise stated in respective policy notes.

2.3 *Functional and presentation currency*

These financial statements are presented in Pakistan rupees, which is the functional and presentation currency of the Company and rounded-off to the nearest rupee.

2.4 *New standards and amendments/interpretations to existing standards that are effective in the current year*

There are amendments to published standards that are mandatory for accounting periods beginning on or after July 01, 2017 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.5 *Standards, interpretations and amendments to approved accounting standards that are not yet effective :*

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after the dates specified below:

-Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

-Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements. The amendments are not likely to have an impact on Company's financial statements.

-Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

-IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Company's financial statements.

-IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.

- IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard. The amendments are not likely to have an impact on Company's financial statements.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

-IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangement" - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

-IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

-IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

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2.6 Use of Estimate & Judgment

The preparation of financial statements in conformity with International Accounting Standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Significant areas requiring the use of management estimates in the financial statements relates to provision for doubtful balances, provision for income taxes, useful life and residual values of property plant and equipment etc. However, assumptions and judgment made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in next year.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in respective policy notes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Tangible fixed assets - Property and Equipment and Depreciation

Property & equipment is stated at cost less accumulated depreciation and impairment loss, if any. Cost of these assets consists of historical cost and directly attributable cost of bringing the assets to working condition. Depreciation on addition and deletion is charged on the basis of number of days the asset remains in use of the company. Assets' residual values, useful life and depreciation rates are reviewed and adjusted, if appropriate, at each balance sheet date. Any impairment loss, or its reversal, is also charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the assets' carrying amount less the residual value over its estimated useful life. Normal repair and maintenance is charged to income as and when incurred. Major renewals and improvements are capitalized. Depreciation is charged to profit and loss account using reducing balance method at the rates specified in note 4.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in profit and loss account.

The company assesses at each balance sheet date whether there is any indication that a fixed asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amount exceed the estimated recoverable amount, assets are written down to the recoverable amount.

3.2 Intangible assets

These include membership cards of PMEX, Trading Right Entitlement Certificates (TREC) and rooms.

a) Finite useful life

These are measured on initial recognition at cost. Following initial recognition these are carried at cost less accumulated amortization and accumulated impairment losses, if any. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and where carrying values exceed estimated recoverable amount, these are written down to their estimated recoverable amount. Intangible assets are amortized using the reducing balance method over their useful life.

b) Infinite useful life

These are measured on initial recognition at cost. Following initial recognition these are carried at cost less accumulated impairment, if any. Cost on initial recognition in an acquisition transaction is determined as the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of asset acquisition. When there is an exchange of assets and the fair value of neither the asset received nor the asset given up can be reliably measured, the cost of the asset received should be measured at the carrying amount of the asset given up. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and where carrying values exceed estimated recoverable amount, these are written down to their estimated recoverable amount.

3.3 Investments

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. The cost of investments acquired in exchange transaction is measured at the carrying value of the asset with which it has been exchanged.

a) Available for sale

These are initially recognized at cost and at subsequent reporting dates measured at fair values. Gains or losses from changes in fair values are taken to other comprehensive income until disposal at which time these are recycled to profit and loss account.

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b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value plus directly attributable transaction costs. After initial measurement loans and receivables are subsequently measured at amortized cost using effective interest rate method less impairment, if any. These are classified as current and non-current assets in accordance with criteria set out by the IFRS.

c) Available for sale - unquoted at cost

These are initially recognized at cost. Due to non availability of an active market, these are subsequently stated at cost as well.

3.4 Trade Receivables

These are stated initially at cost less provision for doubtful debts. Full provision is made against the debts considered doubtful. This includes receivable from members of stock exchange and customers.

3.5 Other receivables

Other receivables are recognized at nominal amount which is the fair value of the consideration to be received less an allowance for any uncollectible amount.

3.6 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, 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.
- Dividend income is recorded when the right to receive the dividend is established.
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- 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.

3.7 Borrowing Costs

Mark-up, interest and other charges on borrowings which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs i.e. mark-up, interest and other charges are charged to the profit and loss account in the period in which they are incurred.

3.8 Foreign Currency Translation

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies at the year end are translated at exchange rates prevailing at the balance sheet date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Exchange differences are included in profit and loss account for the year.

3.9 Trade & other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

3.10 Taxation

Provision of current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred tax is accounted for using the liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax unused tax losses and tax credits can be utilized.

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3.11 Impairment

a) Financial Assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-Financial Assets

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account. 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 amortization, if no impairment loss had been recognized.

3.12 Dividend & Appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves is recognized in the financial statements in the period in which these are approved.

3.13 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

3.14 Earning per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. 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 period. 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.

3.15 Share Capital

Ordinary shares are classified as equity and recognized at their fair value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from the proceeds.

3.16 Financial Instruments

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost as the case may be. A financial asset is de-recognized when the company loses control of its contractual rights that comprise the financial asset. A financial liability is de-recognized when it is extinguished. Any gain or loss on de-recognition of the financial assets or liabilities is taken to profit and loss account currently. The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

3.17 Off Setting of Financial Assets and Financial Liabilities

A financial asset and a financial liability is off set and the net amount is reported in the balance sheet if the company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.



4 PROPERTY AND EQUIPMENT

	Furniture and Fixture	Office Equipments	Computer Equipment	Vehicles	TOTAL
(-----Rupees-----)					
Year Ended June 30, 2017					
Opening net book value	1,695,731	947,650	1,169,028	2,695,494	6,507,903
Additions	-	766,400	339,400	-	1,105,800
Disposals/transfer/write-off	-	-	-	-	-
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Net book value	-	-	-	-	-
Depreciation charge	(169,573)	(160,221)	(140,208)	(539,099)	(1,009,101)
Closing net book value	<u>1,526,158</u>	<u>1,553,829</u>	<u>1,368,220</u>	<u>2,156,395</u>	<u>6,604,602</u>
At 30 June, 2017					
Cost	5,796,214	3,860,323	4,573,400	11,707,832	25,937,769
Accumulated depreciation	(4,270,057)	(2,306,494)	(3,205,180)	(9,551,436)	(19,333,167)
Net Book Value	<u>1,526,157</u>	<u>1,553,829</u>	<u>1,368,220</u>	<u>2,156,396</u>	<u>6,604,602</u>
Year Ended June 30, 2018					
Opening net book value	1,526,157	1,553,829	1,368,220	2,156,396	6,604,602
Additions during the year	112,500	1,247,474	197,030	166,200	1,723,204
Disposals/transfer/write-off	-	-	-	-	-
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Net book value	-	-	-	-	-
Depreciation charge	(152,928)	(178,344)	(149,075)	(451,955)	(932,302)
Closing net book value	<u>1,485,729</u>	<u>2,622,959</u>	<u>1,416,175</u>	<u>1,870,641</u>	<u>7,395,504</u>
At 30 June, 2018					
Cost	5,908,714	5,107,797	4,770,430	11,874,032	27,660,973
Accumulated depreciation	(4,422,985)	(2,484,838)	(3,354,255)	(10,003,391)	(20,265,469)
Net Book Value	<u>1,485,729</u>	<u>2,622,959</u>	<u>1,416,175</u>	<u>1,870,641</u>	<u>7,395,504</u>
Annual rate of depreciation	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>20%</u>	

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5 <u>INTANGIBLE ASSETS</u>	Note	2018 RUPEES	2017 RUPEES
Trading Right Entitlement Certificate			
Membership - Pakistan Mercantile Exchange Limited (PMEX)	5.1	2,500,000	5,000,000
Rooms		1,000,000	1,000,000
		3,500,000	6,000,000
		50,552,165	50,552,165
		54,052,165	56,552,165
5.1 Trading Right Entitlement Certificate			
Cost		5,000,000	5,000,000
Impairment		(2,500,000)	-
		2,500,000	5,000,000

This represents trading rights in Pakistan Stock Exchange which had replaced membership cards of stock exchanges pursuant to the promulgation of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the 2012 Act). Subsequently from 11th January 2016 Lahore, Islamabad and Karachi Stock Exchanges have been integrated to form Pakistan Stock Exchange with the approval of SECP. Before demutualization in 2012 the stock exchanges were functioning as Guarantee Limited Companies, wherein ownership and trading rights were conferred to members through membership cards. Pursuant to demutualization, the ownership in a stock exchange has been segregated from the right to trade on the exchange. Therefore the membership cards were replaced by shares in the exchange representing ownership in the exchange and trading rights entitlement certificates (TREC) representing rights to trade in the exchange in pursuance of section 5 of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the act) and with regulation 6 of the Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012.

These have been carried at cost less impairment. The ownership in a stock exchange segregated from the right to trade on the exchange. Accordingly the company has received equity shares of PSX and a Trading Right Entitlement Certificates (TRECs) in lieu of its membership card of PSX.

The company has recognized a decline in value of TREC amounting to Rs. 2.5 million based on PSX notice / N-7178 dated November 10, 2017 for the purpose of Base Minimum Capital requirement.

6 LONG TERM INVESTMENTS

Investments - at cost

- LSE Financial Services Limited

Investments - at fair value through profit or loss account

- Pakistan Stock Exchange Limited

6.1	6.1	3,846,040	3,846,040
6.1 This represents the investment in 506,385 unquoted ordinary shares of M/s. LSE Financial Services Limited.		7,914,576	10,290,960

This includes 506,385 shares that are blocked in a separate account held with CDC and would be sold to strategic investors and general public in future.

The break up share value of LSE Financial Services Limited as at December 31, 2017 was Rs. 18.08/- per share.

6.2

This represents the investment in ordinary shares of Pakistan Stock Exchange Limited (PSX) received by the Company in pursuance of the promulgation of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. The total number of shares received by the Company were 1,602,953 out of which 67.45% shares were held in a separate blocked account in the Central Depository Company of Pakistan Limited (CDC) to restrict the sale of such shares by the members of PSX.

Given the above, the investment to the extent of 25% of ordinary shares of PSX has been classified as long term investment while the remaining investment in such shares has been classified as short term investment.

7 LONG TERM DEPOSITS

Deposit with CDC

Deposit with PSX

Deposit with NCCPL

Deposit with PMEX

200,000	200,000
200,000	200,000
1,300,000	1,600,000
100,000	100,000
1,800,000	2,100,000

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8 TRADE RECEIVABLES				
Trade debts - considered good (unsecured)		65,997,044	66,430,091	
Trade debts - considered doubtful		853,281	14,824,454	
		66,850,325	81,254,545	
Less : Bad debts written-off	8.1	(853,281)	(14,824,454)	
		65,997,044	66,430,091	
8.1 Bad debts written-off		853,281	14,824,454	
Bad debts written-off				
8.2 Aging Analysis				
Upto fourteen days		2018	2017	
more than fourteen days		Rupees		
		45,570,447	33,934,521	
		20,426,597	32,495,570	
		65,997,044	66,430,091	
9 LOANS AND ADVANCES				
Advance against land		65,000,000	-	
Advance to employees		2,402,969	1,086,407	
Loan	9.1	-	47,122,281	
		67,402,969	48,208,688	
9.1 This represents interest free and non-contractual loan paid to Director of the Company. Although, the same loan has been received back during year.				
10 SHORT TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES				
PMEX clearing deposit		2,251,413	2,251,413	
PMEX margin deposit		409,193	581,693	
NCCPL		7,510,204	3,830,857	
Exposure margin deposit - future		31,000,000	14,000,000	
Exposure margin deposit - ready		10,750,000	9,500,000	
Base minimum capital deposit		-	18,000,000	
Prepayments		2,854,800	-	
other receivable		-	4,488,280	
		54,775,610	52,652,243	
11 SHORT TERM INVESTMENTS				
Financial assets at fair value through profit or loss - held for trading:				
Investment in quoted equity securities				
Shares of listed companies - <i>at fair value</i>	11.1	71,243,672	85,929,413	
11.1 In shares of quoted company				
		Number of shares		
			2018	2017
				Rupees
Pakistan Stock Exchange	2018	1,243,716	1,202,215	24,563,380
Bank of Punjab	2018	643,455	700,586	7,766,502
Bank Al Falah Limited	2018	133,050	135,351	6,957,185
Pakistan Engineering Company Limited	2018	26,600	26,600	6,550,250
SILK	2018	1,683,494	1,702,945	2,289,552
Escorts Investments Bank	2018	65,000	99,500	2,105,350
ENGR	2018	5,849	7,399	1,835,787
Worldcall Telecom Limited	2018	713,579	714,405	1,377,207
Zeal Pak Cement Factory Limited	2018	2,770,700	2,770,700	1,219,108
Standard Chartered Bank Pakistan Limited	2018	50,002	70,524	1,199,048
Beema Pakistan Limited	2018	435,000	435,000	1,000,500
Others	2018	1,681,484	3,715,639	14,379,823
				71,243,672
				85,929,413
12 TAX REFUND DUE FROM THE GOVERNMENT				
Tax deducted at source		30,559,490	30,303,514	
13 CASH AND BANK BALANCES				
Cash in hand		84,985	391,436	
Cash at bank - <i>in current accounts</i>	13.1	38,193,574	61,381,298	
		38,278,559	61,772,734	



13.1 Cash at bank

- in house accounts
- at client accounts
- PMEX accounts

34,593,802	34,425,844
3,178,254	26,782,620
421,518	172,834
38,193,574	61,381,298

14 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2018 2017
---Number of shares---

2,000,000 2,000,000

Ordinary shares of Rs. 100 Each
fully paid in cash

2018 ----- Amount in rupees-----	2017
200,000,000	200,000,000

15 TRADE AND OTHER PAYABLES

Trade creditors	43,147,054	54,836,552
Accrued expenses	3,762,082	1,444,224
Other payable - NCCPL clearing charges	-	2,064,839
46,909,136	58,345,615	

16 CONTINGENCIES AND COMMITMENTS

There are no known contingencies and commitments as at the June 30, 2018 (June 30, 2107 : NIL).

	Note	June 30, 2018	June 30, 2017
		Rupees-----	
17 BROKERAGE INCOME		51,342,818	32,704,081
Brokerage Income			
Market value		71,243,672	85,929,413
Cost of the investment		76,818,067	60,308,105
		(5,574,395)	25,621,308

19 OPERATING AND ADMINISTRATIVE EXPENSES

Salaries and other benefits	20,099,828	9,829,530
Directors remuneration	2,385,000	3,525,000
CDC and NCCPL charges	2,568,531	4,013,547
Commission expenses	895,319	2,243,829
Utility expenses	3,450,436	3,943,476
L.S.E & K.S.E Charges	2,120,996	1,294,360
Depreciation	4 932,302	1,009,101
Computer expenses	2,351,415	2,058,337
Legal and professional charges	1,833,858	1,887,969
Entertainment	2,006,122	2,109,366
Donation	19.1 300,000	-
Impairment loss	19.2 2,500,000	-
Repair and maintenance	3,766,419	1,367,144
Printing and stationery	928,898	514,043
Vehicle Running and Maintenance	-	1,008,616
Communication and postage	501,590	903,940
Traveling and conveyance	540,150	353,849
Miscellaneous charges	335,010	40,664
Auditors' remuneration	250,000	250,000
SECP transaction fee	200,320	-
	47,966,194	36,352,771

19.1 None of the directors and their spouses have any interest in donee's fund to which donations are made.

19.2 Impairment loss represents decrease in value of TREC amounting to Rs. 2,500,000/. Pakistan Stock Exchange Limited (PSX) has currently valued TREC at Rs. 2.5 million based on PSX notice / N-7178 dated November 10, 2017.

20 FINANCE COST

Bank charges	56,402	180,978
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21	<u>OTHER INCOME</u>				
	Other miscellaneous income				758,827
					758,827
22	<u>OTHER OPERATING EXPENSE</u>				
	Bad debts			853,281	14,824,454
23	<u>TAXATION</u>				
	Current	23.1	(6,456,653)	2,727,593	
	Deferred	23.2	-	-	
			(6,456,653)	2,727,593	

23.1 This represents provision for current taxation taxed under 'Final / Minimum Tax Regime'. Assessment upto tax year 2017 have been finalized under section 120 of the Income Tax Ordinance, 2001.

23.2 The Company based on current years' results and future years projections estimates that deferred tax asset amounting to Rs. 17.99 million as at balance sheet date not to be recognized as the Company does not foresee sufficient taxable profits against which the said deferred tax asset can be utilized.

Moreover, there is no relationship between tax expense and accounting profit since the Company's profits are subject to tax under the 'Final Tax Regime'. However, this trend is expected to continue in foreseeable future. Accordingly, no deferred tax asset has been recognized.

24 **(LOSS)/ EARNING PER SHARE**

There is no dilutive effect on the basic loss per share of the company, which is based on:

Loss after taxation	(9,988,342)	89,331,699
Weighted average number of ordinary shares	2,000,000	2,000,000
Loss per share	(4.99)	44.67

25 **REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	2018			2017		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	1,200,000	1,185,000	2,640,000	2,400,000	1,125,000	-
Bonus	-	-	-	-	-	-
Housing and Utilities	-	-	-	-	-	-
	1,200,000	1,185,000	2,640,000	2,400,000	1,125,000	-
Number of persons	1	2	2	1	1	-

26 **RELATED PARTY TRANSACTIONS**

The related parties comprise associated undertaking companies, related group companies and directors of the Company who are also the key management personnel etc. The Company in the course of business carries out transactions with these related parties at arm's length.

Transactions with related parties such as remuneration and other benefits paid to directors during the year are disclosed in 19 and 9.1 of notes to the accounts. However, details of other transactions with the related parties have been specifically disclosed elsewhere in these financial statements, where-ever applicable.

27 **FINANCIAL RISK MANAGEMENT**

27.1 **Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

A Committee oversees how management monitors compliance with the company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Committee is assisted in its oversight role by Internal Audit department. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Committee.



27.2 Financial assets and liabilities by category and their respective maturities

FINANCIAL INSTRUMENTS	Balances as at June 30,2018		Balances as at June 30,2017	
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year
-----Rupees-----				
Financial assets				
Long term investments	-	11,760,616	-	14,137,000
Long term deposits	-	1,800,000	-	2,100,000
Trade receivable - considered good	65,997,044	-	66,430,091	-
Loan and advances	67,402,969	-	48,208,688	-
Short term deposits, prepayments and other receivables	54,775,610	-	52,652,243	-
Tax refund due from the government	30,559,490	-	30,303,514	-
Cash and bank balances	38,278,559	-	61,772,734	-
Available for Sale at Fair Value				
Short term investments	71,243,672	-	85,929,413	-
	<u>328,257,344</u>	<u>13,560,616</u>	<u>345,296,683</u>	<u>16,237,000</u>
Financial liabilities				
Trade and other payables	46,909,136	-	58,345,615	-
	<u>46,909,136</u>	<u>-</u>	<u>58,345,615</u>	<u>-</u>

27.3 Fair Values estimate

In case of equity instruments, the Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 : Quoted market price (unadjusted) in an active market.

Level 2 : Valuation techniques based on observable inputs.

Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

i) Fair value at initial recognition

The Company takes into account factors specific to the transaction and to the asset or liability, when determining whether or not the fair value at initial recognition equals the transaction price. Except for long term deposits, Long term investment, and Employee Vehicle Scheme the fair value of financial assets and financial liabilities recognised in these financial statements equals the transaction price at initial recognition. Due to immaterial effect the fair value of the long-term deposits, long term investment and employee vehicle scheme has not been determined and their carrying value has been assumed to be equal to their fair value.

ii) Valuation techniques and inputs used

For instruments carried at amortized cost, since majority of the interest bearing instruments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are of short term in nature, fair value significantly approximates to carrying value.

iii) Fair value of the Company's financial assets and liabilities that are measured at fair value on recurring basis after initial recognition

The company uses widely recognized valuation techniques, for determining the fair value of assets and liabilities, that use only observable market data and require little management judgement and estimation. The short term investments held for trading has been categorised as level 1.

iv) Fair value of the Company's financial assets and liabilities that are not measured at fair value after initial recognition

The carrying amount of financial assets and financial liabilities recognized in these financial statements approximate their respective fair values. Fair values of financial assets and liabilities carried at amortized cost.

Level	June 30, 2018		June 30, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
-----Rupees-----				

Financial assets carried at Fair Value:

Short term investments	1	76,818,067	71,243,672	60,308,105	85,929,413
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v) Determination of fair values:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods;

a) Non-derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

[Signature]

27.4 Financial Risk Factors

The Company has exposures to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

27.5 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 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 economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. 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.

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, deposits, long term investments and short term investments 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 and other factors, and obtains necessary collaterals to reduce credit risks. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies, investment and operational guidelines approved by the Board of Directors. In addition, credit risk is also minimized due to the fact that the Company invests only in high quality financial assets, majority of which have been rated by a reputable rating agency. The Company does not expect to incur material credit losses on its financial assets.

	2018 RUPEES	2017 RUPEES
The carrying amount of financial assets represent the maximum credit exposure, as specified below:		
Loans & Receivables		
Long term investments	11,760,616	14,137,000
Long term deposits	1,800,000	2,100,000
Trade receivable - considered good	65,997,044	66,430,091
Loan and advances	67,402,969	48,208,688
Short term deposits, prepayments and other receivables	54,775,610	52,652,243
Advance tax	30,559,490	30,303,514
Cash and bank balances	38,278,559	61,772,734
Available for Sale at Fair Value		
Short term investments	<u>71,243,672</u>	<u>85,929,413</u>
	<u>341,817,960</u>	<u>361,533,683</u>

i) Credit quality and impairment:

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. Counterparties, with the exception of long-term deposits, long term investment, trade debts and other receivables have external credit ratings determined by various credit rating agencies.

a) Counterparties without external credit ratings:

The counterparties for which external credit ratings are not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations. These mainly include long-term deposits, long term investment, trade debts and other receivables which are considered good.

b) Counterparties with external credit ratings:

These include banking companies and financial institutions which are counterparties to cash deposits, term deposits & margin deposits thereon etc.

Following are the credit ratings of the counterparties with external credit ratings:

Bank Name	Agency	ST Rating	LT Rating	2018 Rupees	2017 Rupees
MCB Bank Ltd	PACRA	AAA	A1+	897,074	12,363,492
Habib Bank Ltd	JCR-VIS	AAA	A1+	36,340,302	38,392,946
Bank Al Habib Ltd	PACRA	AA+	A1+	710,507	9,408,608
Bank Alfalah Ltd	PACRA	AA	A1+	46,016	629,653
Silk Bank Limited	JCR-VIS	A-2	A-	65,867	16,150
H-METRO BANK	PACRA	A1+	AA+	11,391	63,330
BANK ISLAMI Pk	JCR-VIS	A1	A+	58,831	311,049
NIB Bank Ltd	PACRA	A1+	AA-	-	26,069
Summit Bank Ltd	JCR-VIS	-	A-	-	-
JS Bank Ltd	PACRA	-	A+	58,580	63,580
United Bank Ltd.	JCR-VIS	A-1+	AAA	5,006	106,421
				<u>38,193,574</u>	<u>61,381,298</u>



27.6 LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines. The following are the contractual maturities of the financial liabilities. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Maturity up to One Year:

Trade and other payables	46,909,136	58,345,615
	46,909,136	58,345,615

27.7 MARKET RISK

Market risk means that fair value of 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 rate risk and price risk. The market risk associated with the company's business activities are discussed as under:

Foreign Exchange Risk Management

Currency Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is not significantly exposed to currency risk as the company does not maintain bank accounts in foreign currencies.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and entering into interest rate swap contracts. The company's interest rate risk arises from short term cash finance facility. The company analyzes its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into accounts various other financing options available.

Price Risk

Price risk represents the risk that fair value of financial instrument will fluctuate because of changes in the market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factor affecting all or similar financial instruments traded in the market. The company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 73.819 Million (2017: Rs. 85.929) Million at the balance sheet date. The company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not effect fair value of any financial instrument.

28 CAPITAL RISK MANAGEMENT

The company's objective when managing capital is to safe guard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stake holders: and to maintain strong capital base to support the development of its business.

The company manages its capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the company may adjust amount of dividend paid to shareholders or issue new shares. The company is not subject to externally imposed capital requirements.

29 NUMBER OF EMPLOYEES

Number of employees at year end	18	18
Average number of employees during the year	18	18

30 DETAIL OF SECURITIES AS PER BACK OFFICE RECORD AND CDC RECORD

As per Back Office Record	Own Account	Client Account	As per CDC Record	Own Account	Client Account
Securities Held	10,037,652	64,837,378	Securities available	7,542,157	64,829,484
			Pledge with PSX/ NCCPL	854,600	
			Securities pledged with banks	529,700	
			Securities freeze with CDC	1,111,195	
			Reconciling Entries:		
			Pending out	-	7,894
			Reconciliation entries	-	-
			Freezed securities	-	-
			Total	10,037,652	64,837,378

31 DETAIL OF SECURITIES PLEDGED

	No. of shares	Amount
- House account	1,384,300	23,502,304
- Client account		
	1,384,300	23,502,304

32 PATTERN OF SHARE HOLDING

CATEGORIES OF SHAREHOLDERS		SHAREHOLDERS	SHARES HELD	PERCENTAGE
DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN				
NAME		10		
Zeeshan Dar (Late)			750,000	37.50%
Muhammad Anwar Dar			226,000	11.35%
Muhammad Farooq Dar			692,000	34.60%
Robina Mehmood			50,100	2.51%
Malik Dil Awaz Ahmed			2,000	0.05%
Sabahat Dar			60,000	3%
Imrana Farooq			59,900	3%
Malik Nadeem Asghar			55,000	2.75%
Waheed Asghar Malik			55,000	2.75%
Shameem Akhtar			50,000	2.50%
Associated companies, undertakings and related parties		NIL		
Executives		NIL		
Public Sector Companies and Corporations		NIL		
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds		NIL		
Others		NIL		
Total		10	2,000,000	100%
SHAREHOLDERS HOLDING 5% OR MORE				
NAME		SHARES HELD	PERCENTAGE	
Zeeshan Dar (Late)		750,000	37.50%	
Muhammad Farooq Dar		692,000	34.60%	
Muhammad Anwar Dar		226,000	11.30%	

33 CAPITAL ADEQUACY LEVEL

Total Assets	403,265,629
Less: Total Liabilities	46,909,136
Less: Revaluation Reserves (created upon revaluation of fixed assets)	
Capital Adequacy Level	356,356,493

34 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 05 October 2018 by the Board of Directors of the Company.

35 CORRESPONDING FIGURES

Comparative figures have been re-arranged / reclassified, wherever necessary, to facilitate comparison. Rearrangements have been made in these financial statements for better presentation of the financial statements.

36 GENERAL

Figures have been rounded off to the nearest rupee.



 
Chief Executive Director

