

**BRAINS SECURITIES (PVT) LIMITED**

**FINANCIAL STATEMENTS**

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

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

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the annexed financial statements of **BRAINS SECURITIES (PVT) 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, 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 profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

**Basis for Opinion**

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

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

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

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

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

**Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the profit or loss and statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980); and
- e) the company has duly complied with the requirements of Section 78 of the Securities Act, 2015, and relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at June 30, 2019.

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

  
CHARTERED ACCOUNTANTS

Lahore:

23 SEP 2019

**BRAINS 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	2,140,311	932,997
Intangible assets	7	9,767,253	2,738,383
Long term Investment	8	16,881,300	8,046,154
Long term deposits	9	1,500,000	1,500,000
		30,288,864	13,217,534
<b>CURRENT ASSETS</b>			
Account receivables	10	2,029,814	2,258,108
Loans and advances	11	1,713,187	1,905,832
Trade deposits, short term prepayments and current account balance with statutory authorities	12	2,849,919	3,623,855
Cash and bank balances	13	4,654,404	8,237,666
		11,247,324	16,025,461
		<u>41,536,188</u>	<u>29,242,995</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	14	35,000,000	35,000,000
Accumulated loss		(13,194,714)	(16,505,711)
Fair value adjustment reserve		15,571,033	6,735,887
		37,376,319	25,230,176
<b>LONG TERM LOAN FROM CHIEF EXECUTIVE</b>	15	<u>1,183,000</u>	<u>1,183,000</u>
		38,559,319	26,413,176
<b>NON CURRENT LIABILITIES</b>			
Deferred taxation	16	-	-
<b>CURRENT LIABILITIES</b>			
Deposits, accrued liabilities and advances	17	673,504	574,003
Trade and other payables	18	2,303,365	2,255,816
		2,976,869	2,829,819
<b>CONTINGENCIES AND COMMITMENTS</b>	19	-	-
		<u>41,536,188</u>	<u>29,242,995</u>

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

CHIEF EXECUTIVE

*[Signature]*

*M. R. Wani*

DIRECTOR

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

	Note	2019 Rupees	2018 Rupees
Brokerage and commission	20	5,370,732	5,042,037
Capital loss on marketable securities		(235,440)	(640,268)
		5,135,292	4,401,769
Direct cost	21	(963,845)	(1,404,944)
		4,171,447	2,996,825
Operating expenses	22	(3,809,692)	(3,542,390)
Other operating expenses	23	-	(13,941,821)
Other income	24	3,710,395	849,449
		(99,297)	(16,634,762)
<b>PROFIT/(LOSS) FROM OPERATIONS</b>		4,072,150	(13,637,937)
Finance cost	25	(2,114)	(1,148)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		4,070,036	(13,639,085)
Taxation	26	(759,039)	(1,588,175)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		3,310,997	(15,227,260)
<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>	27	9.46	(152.2/)

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

CHIEF EXECUTIVE

*Janu*

*m. R. wan*  
**DIRECTOR**

**BRAINS SECURITIES (PVT) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	2019 Rupees	2018 Rupees
Profit/(loss) for the year	3,310,997	(15,227,260)
Items that will not be reclassified subsequently to statement of profit or loss	-	-
Gain / (loss) on investment categorised as fair value through other comprehensive income	8,835,146	(2,588,831)
Items that may be reclassified subsequently to statement of profit or loss	-	-
Other comprehensive income/(loss) for the year	8,835,146	(2,588,831)
<b>Total comprehensive income/(loss) for the year</b>	<b><u>12,146,143</u></b>	<b><u>(17,816,091)</u></b>

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

CHIEF EXECUTIVE

*Lawrence Chacko*

*M. S. Manoj*  
2019  
DIRECTOR

**BRAINS 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>			
Profit/(loss) before taxation		4,070,036	(13,639,085)
<b>Adjustments of items not involving movements of cash:</b>			
Depreciation	6	200,484	161,035
Amortization	7.2	26,130	26,487
Impairment		-	2,500,000
		<u>226,614</u>	<u>2,687,522</u>
Operating cash flows before working capital changes		4,296,650	(10,951,563)
<b>(Increase) / Decrease in working capital</b>			
<b>(Increase) / decrease in current assets</b>			
Account receivables		228,294	4,677,452
Loan and advances		192,645	(1,590,905)
Trade deposits and short term prepayments		508,000	652,000
<b>Increase / (decrease) in current liabilities</b>			
Deposits, accrued liabilities and advances		99,501	(174,099)
Trade and other payables		47,549	(8,388,198)
		<u>1,075,989</u>	<u>(4,823,750)</u>
Cash generated from / (used in) operations		<u>5,372,639</u>	<u>(15,775,313)</u>
Taxes paid		(493,103)	(1,603,673)
Net cash flows from operating activities		<u>4,879,536</u>	<u>(17,378,986)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(1,407,798)	(20,500)
Right of room		(7,000,000)	-
Software purchased		(55,000)	-
Long term deposits		-	(500,000)
Other deposits repaid		-	3,000
Investment at fair value through profit and loss		-	329,135
Net cash flows from investing activities		<u>(8,462,798)</u>	<u>(188,365)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Share capital issued		-	12,500,000
Net cash flows from financing activities		<u>-</u>	<u>12,500,000</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(3,583,262)	(5,067,351)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		8,237,666	13,305,017
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	A	<u>4,654,404</u>	<u>8,237,666</u>
<b>A Cash and Cash Equivalents</b>			
Cash and bank balances	13	<u>4,654,404</u>	<u>8,237,666</u>
		<u>4,654,404</u>	<u>8,237,666</u>

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

CHIEF EXECUTIVE

*[Signature]*

*M. R. Wani*  
DIRECTOR  
*[Signature]*

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

	Paid up capital	Accumulated loss	Fair value adjustment reserve	Share deposit money	Long term loan	Total
	----- (R u p e e s) -----					
Balance as at June 30, 2017	10,000,000	(1,278,451)	9,324,718	12,500,000	1,183,000	31,729,267
Loss after taxation	-	(15,227,260)	-	-	-	(15,227,260)
Other comprehensive income	-	-	(2,588,831)	-	-	(2,588,831)
Total comprehensive income for the year	-	(15,227,260)	(2,588,831)	-	-	(17,816,091)
Share capital issued	25,000,000	-	-	-	-	25,000,000
Share deposit money	-	-	-	(12,500,000)	-	(12,500,000)
Long term loan	-	-	-	-	-	-
<b>Balance as at June 30, 2018</b>	<b>35,000,000</b>	<b>(16,505,711)</b>	<b>6,735,887</b>	<b>-</b>	<b>1,183,000</b>	<b>26,413,176</b>
Profit after taxation	-	3,310,997	-	-	-	3,310,997
Other comprehensive income	-	-	8,835,146	-	-	8,835,146
Total comprehensive income for the year	-	3,310,997	8,835,146	-	-	12,146,143
<b>Balance as at June 30, 2019</b>	<b>35,000,000</b>	<b>(13,194,714)</b>	<b>15,571,033</b>	<b>-</b>	<b>1,183,000</b>	<b>38,559,319</b>

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

CHIEF EXECUTIVE

*Handwritten signature*

*M. R. van der*  
**DIRECTOR**  
*2019*



**BRAINS 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 July 24, 2015 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 Room no. 613, 6th Floor, Stock Exchange Building, Lahore.

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

**2 BASIS OF PREPARATION**

**2.1 STATEMENT OF COMPLIANCE**

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

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

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

**2.2 ACCOUNTING CONVENTION**

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

### **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, the company elected to present in other comprehensive income changes in fair value of equity investment previously classified as available-for-sale, as this investment is not for trading. As a result, asset with a fair value of Rs.8,046,154 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**

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.

**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 reducing balance method.

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

## 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. *N*

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.

#### 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, resultantly our short term investment portfolio yielded meager profits. This is reflected in Profit and Loss account.

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



6 PROPERTY AND EQUIPMENT

Particulars	Cost			Accumulated Depreciation			WDV As at June 30, 2019	WDV As at June 30, 2017
	As at June 30, 2018	Additions	(deletions)	As at June 30, 2019	Rate %	As at June 30, 2018		

-----Rupees-----

-----Rupees-----

OWNED

Building	-	824,728	-	824,728	10	-	41,236	-	41,236	782
Furniture and fittings	658,347	266,000	-	924,347	10	178,412	61,294	-	239,706	684
Office equipment	339,600	287,370	-	626,970	10	84,646	34,067	-	118,713	508
Computers	519,551	29,700	-	549,251	30	321,443	63,887	-	385,330	162
	<b>1,517,498</b>	<b>1,407,798</b>	<b>-</b>	<b>2,925,296</b>		<b>584,501</b>	<b>200,484</b>	<b>-</b>	<b>784,985</b>	<b>2,140</b>

6.1 This represents capital expenditure incurred in respect of room situated at Stock Exchange Building 19- Khayaban-e- Aiwan-e-Iqbal Lahore.

6.2 PROPERTY AND EQUIPMENT

Particulars	Cost			Accumulated Depreciation			WDV As at June 30, 2018	WDV As at June 30, 2017
	As at June 30, 2017	Additions	(deletions)	As at June 30, 2018	Rate %	As at June 30, 2017		

-----Rupees-----

-----Rupees-----

OWNED

Furniture and fittings	658,347	-	-	658,347	10	125,086	53,326	-	178,412	475
Office equipment	332,100	7,500	-	339,600	10	56,734	27,912	-	84,646	254
Computers	506,551	13,000	-	519,551	30	241,646	79,797	-	321,443	198
	<b>1,496,998</b>	<b>20,500</b>	<b>-</b>	<b>1,517,498</b>		<b>423,466</b>	<b>161,035</b>	<b>-</b>	<b>584,501</b>	<b>932</b>

	Note	2019 Rupees	2018 Rupees
<b>7 INTANGIBLE ASSETS</b>			
Rights of room		7,000,000	-
Trading right entitlement certificate (TREC)			
Carrying value		2,500,000	5,000,000
Impairment		-	(2,500,000)
	7.1	2,500,000	2,500,000
Computer software	7.2	267,253	238,383
		<u>9,767,253</u>	<u>2,738,383</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.

	Note	2019 Rupees	2018 Rupees
<b>7.2 Software</b>			
<b>Cost:</b>			
Balance as at July 01,		327,000	327,000
Additions during the year		55,000	-
Balance as at June 30,		382,000	327,000
<b>Amortization:</b>			
Balance as at July 01,		88,617	62,130
Charge for the year		26,130	26,487
Balance as at June 30,		114,747	88,617
<b>Net book value</b>		<u>267,253</u>	<u>238,383</u>
<b>Rate of amortization</b>		<u>10%</u>	<u>10%</u>

## 8 LONG TERM INVESTMENT

### Unquoted - Shares of LSE Financial Services Limited:

*At fair value through other comprehensive income*

Cost as at July 01,		1,310,267	1,310,267
Fair value adjustment		15,571,033	6,735,887
	8.1	<u>16,881,300</u>	<u>8,046,154</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 781,180 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 781,180 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>			
Deposits with:			
National Clearing Company of Pakistan Ltd.		1,400,000	1,400,000
Central Depository Company of Pakistan Ltd.		100,000	100,000
		<u>1,500,000</u>	<u>1,500,000</u>
<b>10 ACCOUNTS RECEIVABLES</b>			
Receivable from clients on account of:			
Clients on account of purchase of shares		7,148,219	12,504,551
Related party on account of purchase of shares	10.1	3,617,792	334,240
Less: Provision for doubtful debts	10.2	8,847,246	11,909,770
		1,918,765	929,030
National Clearing Company of Pakistan Ltd.		111,049	1,329,078
		<u>2,029,814</u>	<u>2,258,108</u>

10.1 Receivable from related parties comprises of the following:

Name	Basis of relationship	Maximum aggregate amount Rupees	2019 Rupees	2018 Rupees
Saad Zahid Chaudary	Close family member of chief executive	2,064	2,064	2,064
Muhammad Rizwan Zafar	Director	272,035	272,035	272,035
Syed Ali Raza	Key Management personnel	1,883,019	1,246,204	60,150
Syed Abbas Raza	Key Management personnel son	2,097,489	2,097,489	-
			<u>3,617,792</u>	<u>334,249</u>

10.2 Ageing analysis of the amounts due from related parties as follows:

	Upto 1 months	1 to 6 months	More than 6 months	As at June 30, 2019
	-----Rupees-----			
Saad Zahid Chaudary	-	-	2,064	2,064
Muhammad Rizwan Zafar	-	-	272,035	272,035
Syed Ali Raza	1,246,204	-	-	1,246,204
Syed Abbas Raza	2,097,489	-	-	2,097,489
	<u>3,343,693</u>	<u>                    </u>	<u>274,099</u>	<u>3,617,792</u>

10.2 Movement is as follows

Opening Balance	11,909,770	467,949
Provision made during the year	(3,062,524)	11,441,821
	<u>10.2.1</u>	<u>8,847,246</u>
		<u>11,909,770</u>

10.2.1 This includes provision amounting Rs. 2,064, Rs. 1,210,394 and Rs. 2,088,780 against receivable from Mr. Saad Zahid Chaudary, Mr. Syed Ali Raza and Mr. Abbas Raza respectively. Provision is based on balances outstanding for more than 5 days exceeding market value of holding securities after VAR haircut.

Note	2019 Rupees	2018 Rupees
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10.3 Aging Analysis

Upto five days	288,509	119,199
More than five days	1,630,256	809,831
	<u>1,918,765</u>	<u>929,030</u>

	Note	2019 Rupees	2018 Rupees
<b>11 LOANS AND ADVANCES</b>			
<b>(Unsecured but considered good by the management)</b>			
<b>Advances to:</b>			
Employees		1,413,952	1,364,952
Related party	11.1	299,235	540,880
		<u>1,713,187</u>	<u>1,905,832</u>

**11.1 Advance to Company secretary-Mr. Syed Ali Raza**

Balance as at July 01,		540,880	-
Disbursed during the year		834,305	7,506,880
		<u>1,375,185</u>	<u>7,506,880</u>
Repayments/adjustments made during the year		(1,075,950)	(6,966,000)
		<u>299,235</u>	<u>540,880</u>

**11.2 Ageing analysis of the amounts due from related parties as follows:**

	Upto 1 months	1 to 6 months	More than 6 months	As at June 30, 2019
	-----Rupees-----			
Syed Ali Raza	<u>30,000</u>	<u>269,235</u>	<u>-</u>	<u>299,235</u>

**11.3** The maximum aggregate amount outstanding at the month-end balance was amounting Rs. 576,680 (2018:Rs. 1,640,880).

	Note	2019 Rupees	2018 Rupees
<b>12 TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND CURRENT ACCOUNT BALANCE WITH STATUTORY AUTHORITIES</b>			
<b>Deposits with:</b>			
National Clearing Company of Pakistan Ltd.	12.1	2,415,000	2,923,000
Tax deducted at source		434,919	700,855
		<u>2,849,919</u>	<u>3,623,855</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 5% to 10% (2018: 2.8% to 3.8%) per annum.

	Note	2019 Rupees	2018 Rupees
<b>13 CASH AND BANK BALANCES</b>			
These were held as under:			
Cash in hand		695,466	517,879
Cash at bank			
Current accounts:			
Pertaining to brokerage house		66,221	6,387,748
Pertaining to clients		3,892,717	1,332,039
		3,958,938	7,719,787
		<u>4,654,404</u>	<u>8,237,666</u>

#### 14 SHARE CAPITAL

##### Authorized

350,000 (2018: 350,000) ordinary shares  
of Rs.100 each

35,000,000      35,000,000

##### Issued, subscribed and paid up

350,000 (2018: 350,000) ordinary shares  
of Rs.100 each fully paid in cash

14.1

35,000,000      35,000,000

#### 14.1 Movement account

Balance as at July 01,  
(2018: 250,000) ordinary  
shares of Rs. 100 issued during the year

35,000,000      10,000,000

-      25,000,000

35,000,000      35,000,000

#### 14.2 Pattern of Shareholding:

Categories of shareholders	% age of Shares Held		Number of Shares Held	
	2019	2018	2019	2018
<b>Individuals</b>				
<b>Chief Executive</b>				
Chaudhry Zahid Hussain	99.5%	99.5%	348,250	348,250
<b>Director</b>				
Muhammad Rizwan Zafar	0.5%	0.5%	1,750	1,750
	<u>100%</u>	<u>100%</u>	<u>350,000</u>	<u>350,000</u>

		2019 Rupees	2018 Rupees
<b>15 LONG TERM LOAN FROM CHIEF EXECUTIVE</b>			
From related party:			
Mr. Zahid Hussain-Chief Executive	15.1	<u>1,183,000</u>	<u>1,183,000</u>
<b>15.1</b>	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. The loan is repayable after three years which would be subject to enough cash flows of the company. However, repayment may be deferred as mutually agreed between the parties.		
<b>16 DEFERRED TAXATION</b>		2019 Rupees	2018 Rupees
Deferred credits/(debits) arising due to:			
Accelerated tax depreciation		138,176	60,018
Brought forward losses		-	(156,787)
Provision for doubtful debts		(2,459,526)	(3,320,646)
Alternative corporate tax		<u>(628,685)</u>	<u>-</u>
		<u>(2,950,035)</u>	<u>(3,417,415)</u>
Balance as at July 01,		-	-
Add: Charge for the year		<u>(2,950,035)</u>	<u>(3,417,415)</u>
		<u>(2,950,035)</u>	<u>(3,417,415)</u>
At the year end net deductible temporary differences amounting Rs. 8,633,340 (2018:Rs.11,784,192) which results in a net deferred tax asset of Rs.2,950,035 (2018: Rs. 3,417,415). 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.			
	Note	2019 Rupees	2018 Rupees
<b>17 DEPOSITS, ACCRUED LIABILITIES AND ADVANCES</b>			
Accrued expenses		<u>673,504</u>	<u>574,003</u>
<b>18 TRADE AND OTHER PAYABLES</b>			
Creditors for sale of shares on behalf of clients	18.1& 18.2	2,285,075	2,235,896
Tax deducted at source payable		<u>18,290</u>	<u>19,920</u>
		<u>2,303,365</u>	<u>2,255,816</u>
<b>18.1</b>	The total value of securities pertaining to clients is Rs. 72,246,473 (2018: Rs. 23,130,179) held in sub-accounts of the Company. No client's security is pledged with the financial institutions except with National Clearing Company of Pakistan Limited amounting Rs.8,085,969 (2018:Rs.2,686,642) for exposure margin.		

18.2 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
Chaudary Zahid Hussain	Chief Executive	8,010	30,248
Shagufta Zahid Chaudary	Close family member of chief executive	45,213	69,614
		<u>53,223</u>	<u>99,862</u>

## 19 CONTINGENCIES AND COMMITMENTS

Contingencies and commitments as at reporting date were Rs. Nil ( 2018: Rs. Nil).

	Note	2019 Rupees	2018 Rupees
<b>20 BROKERAGE AND COMMISSION</b>			
Retail customers		6,230,050	5,848,765
Less: Sales tax		(859,318)	(806,726)
		<u>5,370,732</u>	<u>5,042,037</u>

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

Name of related party	Basis of relationship	2019 Rupees	2018 Rupees
Chaudary Zahid Hussain	Chief Executive	-	24,200
Shagufta Zahid Chaudary	Close family member of chief executive	48,234	56,712
Rizwan Zafar Khan	Director	-	6,840
Syed Ali Raza	Key Management personnel	391,285	57,035
Syed Abbas Raza	Key Management personnel son	213,129	-
		<u>652,648</u>	<u>144,787</u>

## 21 DIRECT COST

Charges paid to :

National Clearing Company of Pakistan Ltd.	134,015	188,772
Central Depository Company of Pakistan Ltd.	139,647	115,475
Pakistan Stock Exchange Ltd.	356,037	364,736
Commission paid	334,146	735,961
	<u>963,845</u>	<u>1,404,944</u>



	Note	2019 Rupees	2018 Rupees
<b>22 OPERATING EXPENSES</b>			
Directors' remuneration		-	633,000
Staff salaries and benefits		1,491,000	1,122,200
Rent, rates and taxes	22.1	150,786	99,749
Communication expenses		126,986	128,029
Postage and courier		14,701	1,907
Utility charges		153,487	141,383
Travelling and conveyance		28,290	35,400
Printing and stationery		80,235	89,773
Repair and maintenance		470,603	186,754
Legal and professional charges	22.2	227,700	238,700
Fee and subscription		72,330	110,843
Entertainment		327,757	295,161
Insurance expense		7,605	5,769
Advertisement		-	40,600
Software Expenses		360,687	204,600
Depreciation	6	200,484	161,035
Amortization	7.2	26,130	26,487
Miscellaneous		70,911	21,000
		<u>3,809,692</u>	<u>3,542,390</u>

22.1 This includes rent paid to Mr. Syed Ali Raza Company Secretary amounting Rs. nil (2018:Rs. 72,000.)

#### 22.2 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. Chartered Accountants</b>		
Statutory audit	73,500	68,250
Certification fee	71,400	122,450
	<u>144,900</u>	<u>190,700</u>

#### 23 OTHER OPERATING EXPENSES

Provision for doubtful debts	-	11,441,821
Impairment on TRE Certificate	-	2,500,000
	-	<u>13,941,821</u>

	Note	2019 Rupees	2018 Rupees
<b>24 OTHER OPERATING INCOME</b>			
<b>Income from financial assets</b>			
Dividend income		390,590	390,590
Interest Income		187,978	75,106
Balances written back		-	381,753
Reversal of provision for doubtful debts		3,062,524	-
		3,641,092	847,449
<b>Income from assets other than financial assets</b>			
Other income		69,303	2,000
		69,303	2,000
		<u>3,710,395</u>	<u>849,449</u>
<b>25 FINANCE COST</b>			
Bank charges		2,114	1,148
<b>26 TAXATION</b>			
Income tax:			
-Current		759,039	1,588,175
-Prior year		-	-
-Deferred		-	-
		<u>759,039</u>	<u>1,588,175</u>
<b>26.1</b>	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.		
<b>26.2</b>	No numeric tax rate reconciliation is presented in these financial statements for the current and prior year as the company is either liable to pay tax under final tax regime or alternate corporate tax under the section 113 of Income Tax Ordinance, 2001.		
<b>27 EARNINGS PER SHARE- BASIC AND DILUTED</b>		<b>2019</b>	<b>2018</b>
Profit/(loss) for the year-Rupees		<u>3,310,997</u>	<u>(15,227,260)</u>
Weighted average number of ordinary shares outstanding during the year -Numbers		<u>350,000</u>	<u>100,000</u>
Earnings per share-Rupees		<u>9.46</u>	<u>(152.27)</u>

28 NUMBER OF EMPLOYEES

	2019 ( N u m b e r )	2018
Total number of employees at the end of year	<u>5</u>	<u>4</u>
Average number of employees during the year	<u>5</u>	<u>4</u>

29 REMUNERATION TO CHIEF EXECUTIVE AND DIRECTOR

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

	Chief Executive		Director	
	2019 Rupees	2018 Rupees	2019 Rupees	2018 Rupees
Managerial remuneration	-	451,818	-	123,636
Medical allowance	-	45,182	-	12,364
	<u>-</u>	<u>497,000</u>	<u>-</u>	<u>136,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

30 TRANSACTIONS WITH RELATED PARTIES

Significant transactions and balances with of related parties have been disclosed in the relevant notes to the financial statements except the following:

	2019 Rupees	2018 Rupees
Rights of rooms purchase from Mr. Syed Ali Raza Key Management personnel	<u>7,000,000</u>	<u>-</u>

30 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets and financial liabilities

Financial assets

At fair value through other comprehensive income:

Long term investment	<u>16,881,300</u>	<u>8,046,154</u>
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At Amortised Cost:

Loans and receivables

Long term deposits	1,500,000	1,500,000
Trade debts	2,029,814	2,258,108
Loans and advances	1,713,187	1,905,832
Trade deposits	2,415,000	2,923,000
Cash and bank balances	4,654,404	8,237,666
	<u>12,312,405</u>	<u>16,824,606</u>

	2019 Rupees	2018 Rupees
<b>Financial liabilities</b>		
<b>Financial liabilities at amortized cost</b>		
Deposits, accrued liabilities and advances	673,504	574,003
Trade and other payables	<u>2,303,365</u>	<u>2,255,816</u>
	<u>2,976,869</u>	<u>2,829,819</u>

### 31 FINANCIAL RISK MANAGEMENT

31.1 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 investment		16,881,300	8,046,154
Long term deposits		1,500,000	1,500,000
Trade debts	31.1.1	2,029,814	2,258,108
Loans and advances		1,713,187	1,905,832
Trade deposits		2,415,000	2,923,000
Bank balances	31.1.2	3,958,938	7,719,787
		<u>28,498,239</u>	<u>24,352,881</u>

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

	2019 Rupees	2018 Rupees
Upto 1 month	1,175,450	1,767,700
1 to 6 months	159,539	440,689
More than 6 months	694,825	49,719
	<u>2,029,814</u>	<u>2,258,108</u>

Based on the past experience the management believes that no impairment allowance is necessary in respect of unprovided past due amounts as there are reasonable grounds to believe that the amounts will be recovered in short course of time.

### 31.1.2 Concentration of Credit Risk

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

Geographically there is no concentration of credit risk.

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

	Note rating	2019 Rupees	2018 Rupees
Cash at banks	A1+	<u>3,958,938</u>	<u>7,719,787</u>

### b) Liquidity Risk

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

2019				
Carrying Amount	Contractual Cash Flows	Maturity up to one year	Maturity after one year	
R u p e e s				
Deposits, accrued liabilities and advances	673,504	673,504	673,504	-
Trade and other payables	2,303,365	2,303,365	2,303,365	
	<u>2,976,869</u>	<u>2,976,869</u>	<u>2,976,869</u>	<u>-</u>
2018				
Carrying Amount	Contractual Cash Flows	Maturity up to one year	Maturity after one year	
R u p e e s				
Deposits, accrued liabilities and advances	574,003	574,003	574,003	-
Trade and other payables	2,255,816	2,255,816	2,255,816	
	<u>2,829,819</u>	<u>2,829,819</u>	<u>2,829,819</u>	<u>-</u>

### Liquidity Risk Management

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

The company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the company ensures that it has sufficient cash on demand to meet expected operational cash flows, including serving of financial obligations. This includes maintenance of 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:

*Dr*

**i) Foreign Currency Risk**

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

**ii) Price Risk**

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

**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**

Currently, the Company is not exposed to any interest rate risk as it does not hold any mark up/interest bearing financial instrument exposed to interest rate risk at the reporting date.

**31.2 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. N

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

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2) ; and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

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

	2019		
	Level 1	Level 2	Level 3
	-----Rupees-----		
<b>Financial assets</b>			
<i>At fair value through other comprehensive income</i>	-	16,881,300	-
	-----	-----	-----
	2018		
	Level 1	Level 2	Level 3
	-----Rupees-----		
<b>Financial assets</b>			
<i>At fair value through other comprehensive income</i>	-	8,046,154	-
	-----	-----	-----

### 31.3 Capital risk management

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

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

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings. Total capital fair value reserve and interest free long term loan obtained from the chief executive of the company classified as per TR- 32 are included in shareholders' equity:



	2019 Rupees	2018 Rupees
Total borrowings	-	-
Total equity	38,559,319	26,413,176
Total capital	<u>38,559,319</u>	<u>26,413,176</u>
Gearing ratio	<u>0%</u>	<u>0%</u>

### 32 OPERATING SEGMENT

32.1 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.

32.2 All non-current assets of the Company as at June 30, 2019 are located in Pakistan.

### 33 CORRESPONDING FIGURES

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

Reclassification from profit and loss account	Reclassification from profit and loss account	2018 Rupees
Office expenses	Miscellaneous	21,000

### 34 GENERAL

Figures have been rounded off to the nearest of rupee.

### 35 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 23 SEP 2019 by the Board of Directors of the Company.

CHIEF EXECUTIVE

*Rana Chaudhry*

*M. R. Khan*  
2019  
DIRECTOR