

BRAINS SECURITIES (PRIVATE) LIMITED

Financial Statements

For the Year Ended 30th June 2016

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **BRAINS SECURITIES (PRIVATE) LIMITED** ("the Company") as at June 30, 2016 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give true and fair view of the state of the Company's affairs as at June 30, 2016 and of the loss, cash flows and changes in equity for the year then ended; and
- d) In our opinion no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980.


Mudassar Ehtisham & Co.
Chartered Accountants



LAHORE: September 30, 2016

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BRAINS SECURITIES (PRIVATE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2016

| | | 2016 |
|--------------------------------------|------|--------------------------|
| ASSETS | Note | Rupees |
| Non-current assets | | |
| Property and equipment | 5 | 1,150,208 |
| Intangibles | 6 | 5,294,300 |
| Long term deposits | 7 | 535,000 |
| Long term investments | 8 | <u>9,538,207</u> |
| | | 16,517,715 |
| Current assets | | |
| Accounts receivables | 9 | <u>1,016,990</u> |
| Advances, deposits and prepayments | 10 | 445,862 |
| Short term investments | 11 | 467,208 |
| Cash and bank balances | 12 | <u>4,556,065</u> |
| | | 6,486,125 |
| TOTAL ASSETS | | <u><u>23,003,840</u></u> |
| EQUITY AND LIABILITIES | | |
| Share capital and reserves | | |
| Share capital | 13 | <u>10,000,000</u> |
| Capital reserves | | 8,227,940 |
| Unappropriated profit | | <u>(1,120,257)</u> |
| Total Equity | | 17,107,683 |
| Share Deposit Money | | 4,019,253 |
| Current liabilities | | |
| Trade and other payables | 14 | <u>1,876,904</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>23,003,840</u></u> |
| CONTINGENCIES AND COMMITMENTS | 15 | |

The annexed notes from 1 to 20 form an integral part of these financial statements.

[Signature]
(CHIEF EXECUTIVE OFFICER)

[Signature]
(DIRECTOR)



BRAINS SECURITIES (PRIVATE) LIMITED
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED JUNE 30, 2016

| | | 2016 |
|---------------------------------------|------|--------------------|
| | Note | Rupees |
| Brokerage income - net | 16 | <u>690,164</u> |
| Operating and administrative expenses | | 690,164 |
| Operating (loss) / profit | 17 | <u>(1,795,768)</u> |
| Financial charges | | (1,105,604) |
| Loss before tax | 18 | <u>(14,653)</u> |
| Taxation | | (1,120,257) |
| Loss after tax | | <u>(1,120,257)</u> |

The annexed notes from 1 to 20 form an integral part of these financial statements.



✓ *Sayid Chum*
 (CHIEF EXECUTIVE OFFICER)

M. Rizwan
 (DIRECTOR)



BRAINS SECURITIES (PRIVATE) LIMITED
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED JUNE 30, 2016

| Share capital | Unappropriated profit | Capital reserves | Total |
|---------------|-----------------------|------------------|-------|
|---------------|-----------------------|------------------|-------|

-----Rupees-----

| | | | | |
|----------------------------------|-------------------|--------------------|------------------|-------------------|
| Balance as at June 30, 2015 | - | - | - | - |
| Share Capital | 10,000,000 | - | - | 10,000,000 |
| Capital reserves | - | - | 8,227,940 | 8,227,940 |
| Net (loss) / profit for the year | - | (1,120,257) | - | (1,120,257) |
| Balance as at June 30, 2016 | <u>10,000,000</u> | <u>(1,120,257)</u> | <u>8,227,940</u> | <u>17,107,683</u> |

The annexed notes from 1 to 20 form an integral part of these financial statements.



Sauw Chan
 (CHIEF EXECUTIVE OFFICER)

M. Ascar Ehtisham
 (DIRECTOR)



BRAINS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2016

1. COMPANY AND ITS OPERATIONS

Brains Securities (Private) Limited was incorporated in Pakistan as a private limited company under the Companies Ordinance, 1984. The Company is primarily engaged in the business of buying and selling of shares of Lahore Stock Exchange.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance). Approved accounting standards comprise Accounting and Financial Reporting Standards for Small-Sized Entities (SSEs) issued by the Institute of Chartered Accountants of Pakistan. Wherever the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with the approved Accounting and Financial Reporting Standards for Small-Sized Entities issued by the Institute of Chartered Accountants of Pakistan require management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. 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. Revision to accounting estimates are recognized prospectively commencing from the period of revision.

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 effects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- | | |
|---|------------|
| - useful life and residual values of depreciable assets | - note 4.1 |
| - provision for taxation | - note 4.8 |
| - provisions and contingencies | - note 4.9 |

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at cost. Cost comprises acquisition and other directly attributable costs.

Depreciation on fixed assets is charged on reducing balance method at the rates specified in the schedule of fixed assets. Depreciation is provided on assets for the proportionate period of its use in the year of addition and disposal. However, depreciation on capitalization of major project cost is charged to income according to its proportionate period of use. However, normal repairs and maintenance are

Gain and loss on disposal of fixed assets are included in other income.

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4.2 Intangible assets

This is stated at cost less impairment losses, if any. The carrying amounts are reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amounts, and, where carrying value is in excess of recoverable amount, these are written down to their estimated recoverable amount.

4.3 Impairment of assets

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

Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. A reversal of the impairment loss is recognized in income.

4.4 Long Term Deposits and Loans

Long term deposits and Loans are stated at Cost.

4.5 Investments

Investments available for sale

These are recognized at fair value. Gains or losses from changes in fair values are taken to equity until disposal at which time these are recycled to profit and loss account.

Investments held to maturity

Investments with fixed or determinable payments and fixed maturity, which the Company has the positive intent and ability to hold to maturity, are carried at amortized cost, using the effective interest rate method less impairment losses, if so determined.

Investments at fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking are classified as investments at fair value through profit or loss. These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investments representing listed equity securities are determined on the basis of prevailing market prices.

4.6 Trade and other receivables

Trade debts and other receivables are carried at original invoice amount. Provision is made for debts, considered doubtful of recovery and debts considered irrecoverable are written off. No provision is made in respect of customers considered good.

4.7 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 on current, saving and deposit accounts.



BRAINS SECURITIES (PRIVATE) LIMITED

4.8 Trade and 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.

4.9 Taxation

Income tax expense represents current tax expense. Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates, if any.

4.10 Provisions

Provisions are recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made to the extent of obligation.

4.11 Trade and settlement date accounting

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

4.12 Securities under repurchase/ reverse repurchase agreements

Transactions of repurchase/ reverse repurchase of investment securities are entered into at contracted rate for specified periods of time and are accounted for as follows.

4.13 Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the associated cost incurred or to be incurred can be measured reliably. Brokerage, other advisory fees, commission and other income are recognized when such services are provided and are accrued when become due. Dividend income is recorded at the time of closure of shares transfer book of company declaring the same and when right to receive the same is established.

4.14 Return on financing and borrowings

Return on financing and borrowings is recognized on a time proportionate basis taking into account the relevant issue date and final maturity date.

4.15 Borrowing costs

Borrowing cost directly attributable to the acquisition, construction or production of qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing cost are charged to profit and loss account whenever incurred. Finance cost is accounted for on accrual basis.

Signature



4.16 Offsetting

Financial assets and liabilities are offset 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 the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

4.17 Foreign exchange

Foreign currency transactions are recorded at the exchange rate applicable at the transaction date. Monetary assets and liabilities are translated into rupees using exchange rates applicable at the balance sheet date. All gains and losses on settlement and translation at year end are recognized in the income statement.

4.18 Contingencies and Commitments

Capital commitments and Contingences, unless those are actual liabilities, are not incorporated in the accounts.

Signature



5. PROPERTY AND EQUIPMENT

| PARTICULARS | 2016 | | | | | | | W.D.V As At 30-JUNE-16 | |
|-----------------------|---------------------|------------------|------------|------------------|---------------------|----------------|------------|------------------------------|---------------------|
| | COST | | | Rate % | DEPRECIATION | | | | |
| | As At 01-July-15 | Addition | (Deletion) | | As At 30-June-16 | For The Year | Adjustment | | As At 30-June-16 |
| Furniture and Fixture | - | 658,347 | - | 658,347 | 10% | 65,835 | - | 65,835 | 592,512 |
| Computers | - | 448,151 | - | 448,151 | 30% | 134,445 | - | 134,445 | 313,706 |
| Office Equipment | - | 271,100 | - | 271,100 | 10% | 27,110 | - | 27,110 | 243,990 |
| | - | <u>1,377,598</u> | - | <u>1,377,598</u> | | <u>227,390</u> | - | <u>227,390</u> | <u>1,150,208</u> |

6. INTANGIBLES

| | Note | Rupees |
|-----------------------|-------|------------------|
| Membership card value | - | 5,000,000 |
| Software | (6.1) | 294,300 |
| | | <u>5,294,300</u> |

6.1 Software

| PARTICULARS | 2016 | | | | | | | W.D.V As At 30-JUNE-16 | |
|-----------------|---------------------|----------------|------------|----------------|---------------------|---------------|------------|------------------------------|---------------------|
| | COST | | | Rate % | AMORTIZATION | | | | |
| | As At 01-July-15 | Addition | (Deletion) | | As At 30-June-16 | For The Year | Adjustment | | As At 30-June-16 |
| Office Software | - | 327,000 | - | 327,000 | 10% | 32,700 | - | 32,700 | 294,300 |
| | - | <u>327,000</u> | - | <u>327,000</u> | | <u>32,700</u> | - | <u>32,700</u> | <u>294,300</u> |



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BRAINS SECURITIES (PRIVATE) LIMITED

2016

Note Rupees

7. LONG TERM DEPOSITS

| | |
|-----------------------------|----------------|
| PSX Initial deposit | 200,000 |
| CDC membership fee | 100,000 |
| LSE clearing house deposits | 30,000 |
| Other securities with NCCPL | 205,000 |
| | <u>535,000</u> |

8. LONG TERM INVESTMENT

| | |
|--|------------------|
| Unquoted - shares of Pakistan Stock Exchange Limited (PSE) | 9,538,207 |
| | <u>9,538,207</u> |

The Company has pledged/ hypothecated TREC Certificate of Pakistan Stock Exchange Limited (PSE) and 781,180 ordinary shares of PSE with PSE in compliance with Base Minimum Capital requirement under Regulation 2.1 of the Regulations Governing Risk Management of the PSE.

9. ACCOUNTS RECEIVABLES

| | |
|--------------------------|------------------|
| Receivables from clients | 1,016,990 |
| | <u>1,016,990</u> |

This represents receivables from clients which relates to operating revenues are unsecured but considered good by the management.

10. ADVANCES, DEPOSITS AND PREPAYMENTS

| | |
|------------------------------------|----------------|
| <i>Advances - considered good</i> | |
| Advance income tax | 20,778 |
| Deposits and additional collection | 380,330 |
| Other advances | 44,754 |
| | <u>445,862</u> |

11. SHORT TERM INVESTMENT

| Sr. No. | Symbol | Company Name (Listed) | |
|---------|--------|--|----------------|
| 1 | ASL | Aisha Steel Mills Ltd | 15,871 |
| 2 | EFERT | Engro Fertilizers Ltd | 292,440 |
| 3 | HBL | Habib Bank Ltd | 22,157 |
| 4 | PIAA | Pakistan International Airlines Corporation Ltd. | 29,080 |
| 5 | SSGC | Sui Southern Gas Company Ltd | 107,660 |
| | | | <u>467,208</u> |

12. CASH AND BANK BALANCES

| | |
|--------------|------------------|
| Cash in hand | 4,556,065 |
| Cash at bank | <u>4,556,065</u> |



19. ACCOUNTING ESTIMATES AND JUDGMENTS

Property, plant and equipment

The Company reviews the rate of depreciation/useful life, residual values and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

Intangible assets

The Company reviews the rate of amortization and value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of respective items of intangible asset with a corresponding affect on the amortization charge and impairment.

Trade debts

The Company reviews its debts portfolio regularly to assess amount of any provision required against such debtors



20. GENERAL

- 20.1 These financial statements were authorized for issue on September 30, 2016 by the management.
- 20.2 Figures have been rounded off to the nearest rupee.
- 20.3 Corresponding figures have been rearranged, wherever necessary for the purposes of comparison. However, no significant rearrangement / reclassification have been made in these financial statements.

(CHIEF EXECUTIVE OFFICER)



(DIRECTOR)