

BRAINS SECURITIES (PVT) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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, 2018, and the profit or loss and statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit or loss and statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the loss, total comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the profit or loss and statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980); and
- e) the company has duly complied with the requirements of Section 78 of the Securities Act, 2015, and relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at June 30, 2018.

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



CHARTERED ACCOUNTANTS


Lahore: 12 SEP 2018

BRAINS SECURITIES (PVT) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	6	932,997	1,073,532
Intangible assets	7	2,738,383	5,264,870
Long term Investment	8	8,046,154	10,634,985
Long term deposits	9	1,500,000	1,000,000
		13,217,534	17,973,387
CURRENT ASSETS			
Account receivables	10	2,258,108	6,935,560
Investment at fair value through profit and loss	11	-	329,135
Loans and advances	12	1,905,832	314,927
Trade deposits, short term prepayments and current account balance with statutory authorities	13	3,623,855	4,263,358
Cash and bank balances	14	8,237,666	13,305,017
		16,025,461	25,147,996
		<u>29,242,995</u>	<u>43,121,383</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	35,000,000	10,000,000
Fair value adjustment reserve		6,735,887	9,324,718
Accumulated loss		(16,505,711)	(1,278,451)
		25,230,176	18,046,267
Share deposit money		-	12,500,000
		25,230,176	30,546,267
LONG TERM LOAN FROM CHIEF EXECUTIVE	16	<u>1,183,000</u>	<u>1,183,000</u>
		26,413,176	31,729,267
NON CURRENT LIABILITIES			
Deferred taxation	17	-	-
CURRENT LIABILITIES			
Deposits, accrued liabilities and advances	18	574,003	748,102
Trade and other payables	19	2,255,816	10,644,014
		2,829,819	11,392,116
CONTINGENCIES AND COMMITMENTS	20	-	-
		<u>29,242,995</u>	<u>43,121,383</u>

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


CHIEF EXECUTIVE


DIRECTOR

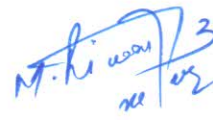
**BRAINS SECURITIES (PVT) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
Brokerage and commission	21	5,042,037	6,402,655
Capital loss on marketable securities		(640,268)	(263,091)
		4,401,769	6,139,564
Direct cost	22	(1,404,944)	(2,113,597)
		2,996,825	4,025,967
Operating expenses	23	(3,542,390)	(4,104,730)
Other operating expenses	24	(13,941,821)	(729,440)
Other income	25	849,449	782,046
		(16,634,762)	(4,052,124)
LOSS FROM OPERATIONS		(13,637,937)	(26,157)
Finance cost	26	(1,148)	(11,139)
LOSS BEFORE TAXATION		(13,639,085)	(37,295)
Taxation	27	(1,588,175)	(120,899)
LOSS FOR THE YEAR		<u>(15,227,260)</u>	<u>(158,194)</u>
EARNINGS PER SHARE - BASIC AND DILUTED	28	<u>(59.66)</u>	<u>(1.58)</u>

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



CHIEF EXECUTIVE



DIRECTOR

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

	2018 Rupees	2017 Rupees
Loss for the year	(15,227,260)	(158,194)
Items that will not be reclassified subsequently to profit and loss account	-	-
Items that may be reclassified subsequently to profit and loss account:		
(Loss)/gain on remeasurement of available for sale investment	(2,588,831)	1,096,778
Other comprehensive (loss)/income for the year	(2,588,831)	1,096,778
Total comprehensive (loss)/ income for the year	<u>(17,816,091)</u>	<u>938,584</u>

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



CHIEF EXECUTIVE



DIRECTOR

BRAINS SECURITIES (PVT) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(13,639,085)	(37,295)
Adjustments of items not involving movements of cash:			
Depreciation	6	161,035	196,076
Amortization	7.2	26,487	29,430
Impairment		2,500,000	-
Unrealized gain on remeasurement of investment	11	-	50,996
		<u>2,687,522</u>	<u>276,502</u>
Operating cash flows before working capital changes		(10,951,563)	239,207
(Increase)/ Decrease in working capital			
(Increase)/ decrease in current assets			
Account receivables		4,677,452	(5,918,570)
Loan and advances		(1,590,905)	(270,173)
Trade deposits and short term prepayments		652,000	(3,197,670)
Increase / (decrease) in current liabilities			
Deposits, accrued liabilities and advances		(174,099)	-
Trade and other payables		(8,388,198)	9,515,212
		<u>(4,823,750)</u>	<u>128,799</u>
Cash generated from/ (used in) operations		<u>(15,775,313)</u>	<u>368,007</u>
Taxes paid		(1,603,673)	(785,480)
Net cash flows from operating activities		<u>(17,378,986)</u>	<u>(417,473)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(20,500)	(119,400)
Long term deposits		(500,000)	(465,000)
Other deposits repaid		3,000	-
Investment at fair value through profit and loss		329,135	87,077
Net cash flows from investing activities		<u>(188,365)</u>	<u>(497,323)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Share capital issued		12,500,000	-
Share deposit money received		-	8,480,747
Director's loan received		-	1,183,000
Net cash flows from financing activities		<u>12,500,000</u>	<u>9,663,747</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		(5,067,351)	8,748,952
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>13,305,017</u>	<u>4,556,065</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	A	<u><u>8,237,666</u></u>	<u><u>13,305,017</u></u>
A Cash and Cash Equivalents			
Cash and bank balances	13	<u>8,237,666</u>	<u>13,305,017</u>
		<u><u>8,237,666</u></u>	<u><u>13,305,017</u></u>

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


CHIEF EXECUTIVE


DIRECTOR

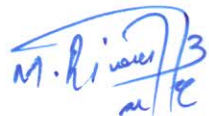
BRAINS SECURITIES (PVT) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	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, 2016	10,000,000	(1,120,257)	8,227,940	4,019,253	-	21,126,936
Loss after taxation	-	(158,194)	-	-	-	(158,194)
Other comprehensive income	-	-	1,096,778	-	-	1,096,778
Total comprehensive income for the year	-	(158,194)	1,096,778	-	-	938,584
Share deposit money	-	-	-	8,480,747	-	8,480,747
Long term loan	-	-	-	-	1,183,000	1,183,000
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 loss	-	-	(2,588,831)	-	-	(2,588,831)
Total comprehensive loss 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)
Balance as at June 30, 2018	35,000,000	(16,505,711)	6,735,887	-	1,183,000	26,413,176

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



CHIEF EXECUTIVE



DIRECTOR

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

1 COMPANY AND ITS OPERATION

- 1.1 The company was incorporated as Private Limited Company on 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 Limited.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

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

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

2.2 ACCOUNTING CONVENTION

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


- Long term investments in LSE Financial Services Limited which is carried at fair value;
- Short term investments in quoted equity securities, units of mutual funds and term finance certificates / sukuks carried at fair value;
- Finance lease obligation which is measured at the present value of future minimum lease payments.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Pakistani Rupee, which is the company's functional and presentation currency.

2.4 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments and estimates made by management that may have a significant risk of material adjustments to the financial statements in subsequent years are as follows:

- Estimation of provision against doubtful trade debts
- Valuation of investment in ordinary shares of LSE Financial Services Limited
- Useful life of depreciable assets
- Intangible assets
- Taxation

3 NEW STANDARDS, AMENDMENTS TO APPROVED ACCOUNTING STANDARDS AND NEW INTERPRETATIONS


3.1 AMENDMENTS TO APPROVED ACCOUNTING STANDARDS AND INTERPRETATIONS WHICH ARE EFFECTIVE DURING THE YEAR ENDED JUNE 30, 2018

The third and fifth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fifth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, particulars of immovable assets of the Company, change in threshold for identification of executives, additional disclosure requirements for related parties etc.

The other amendments to published standards and interpretations that were mandatory for the Company's financial year ended June 30, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and therefore not disclosed in these financial statements.

3.2 New standards, amendments to approved accounting standards and interpretations that are effective for the Company's accounting periods beginning on or after July 1, 2018

There are certain new standards, amendments to the approved accounting standards and interpretations that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2018. However, these amendments and interpretations will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements. Further, during the current year the Securities and Exchange Commission of Pakistan (the SECP) has adopted IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Customers' and IFRS 16 'Leases'. IFRS 9 and IFRS 15 are applicable for the Company's financial reporting period beginning on July 1, 2018 while IFRS 16 is applicable for the reporting period beginning on July 1, 2019. At present, the impacts of application of these IFRSs on the Company's future financial statements are being assessed. Further, IFRS 17 'Insurance contracts' is yet to be adopted by the SECP.



4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation.

Depreciation is charged on reducing balance method at the rates mentioned in note no.6. Depreciation on additions is charged for the month in which an asset is acquired while no depreciation is charged for the month in which an asset is disposed off. Normal repair and maintenance is charged to revenue as and when incurred, while major renewals and replacements are capitalized.

Gain or loss on disposal of property and equipment, if any is taken to profit and loss account.

4.2 INTANGIBLE ASSETS

Intangible assets with finite useful life are stated at cost less amortization and impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where carrying value exceeds estimated recoverable amount, it is written down to estimated recoverable amount.

4.2.1 Membership card and offices

This is stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

4.2.2 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 using the rate specified in note 7.2 to the account.

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

4.3 FINANCIAL ASSETS

Financial assets are classified in the following categories: Held-to-maturity, at fair value through profit or loss, available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.



4.3.1 Held to Maturity

The investments with fixed maturity, if any, that the company has to positive intent and ability to hold to maturity. Held to maturity investments are initially measured at fair value plus transaction costs and are subsequently stated at amortized cost using the effective interest rate method less impairment, if any. These are classified as current and non-current assets in accordance with criteria set out by IFRSs.

4.3.2 At fair value through profit and loss

Investments classified as held for trading are included in the category of financial assets at fair value through profit and loss. These are listed securities that are acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin.

All investments are initially recognized at cost, being the fair value of the consideration given excluding acquisition charges with the investment. After initial recognition, investments are measured at their fair values. Unrealized gains and losses on investments are recognized in profit and loss account of the period.

Fair values of these securities representing listed equity and debt securities are determined by reference to stock exchange quoted market prices at the close of the business on balance sheet date.

4.3.3 Available-for-sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

Subsequent to initial recognition at cost, these are premeasured at fair value. The Company uses latest stock exchange quotations to determine the fair value of its quoted investments whereas fair value of investments in un-quoted companies is determined by applying the appropriate valuation techniques as permissible under IAS 39 (Financial Instruments: Recognition and Measurement). Gains or losses on available-for-sale investments are recognized directly in other comprehensive income until the investments are sold or disposed-off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously recognized in other comprehensive income, is re-classified from equity to profit and loss as re-classification adjustment.

4.3.4 Loans and Receivables

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

4.4 FINANCIAL LIABILITIES

Financial liabilities are initially measured at cost, which is the fair value, of the consideration given and subsequently carried at amortized cost using effective interest rate method.

4.5 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

4.6 TRADE DEBTS AND OTHER RECEIVABLES

Trade and other receivables are recognized and carried at transaction price less an allowance for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognized in the statement of profit or loss. Bad debts are written-off in the statement of profit or loss on identification.

The allowance for doubtful debts of the Company is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables.

4.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement cash and cash equivalents comprise cash in hand, bank balances and running finances.

4.8 SHARE CAPITAL

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

4.9 BORROWINGS

Borrowings that are acquired for long term financing are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

4.10 TAXATION

Current

Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits, brought forward losses, accelerated depreciation allowances and any minimum limits imposed by the taxation laws.

Deferred

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 balance sheet 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.

4.11 TRADE AND OTHER PAYABLES

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

4.12 PROVISIONS

Provisions are recognized when the company has a legal or constructive obligation as a result of past events and it is probable that an out flow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Contingent assets are not recognized and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognized and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

4.13 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into functional currency using the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

4.14 IMPAIRMENT

The Company assesses at each reporting date whether there is any indication that operating fixed assets may be impaired. If such an indication exists, the carrying amounts of the related assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is charged to the profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

4.15 REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognized on the following basis:

- Brokerage, consultancy and advisory fee, commission etc. are recognized as and when such services are provided.
- Profit on saving accounts, profit on exposure deposits and markup on marginal financing is recognized at effective yield on time proportion basis.
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Dividend income is recorded when the right to receive the dividend is established.
- Unrealized capital gains / (losses) arising from mark to market of investments classified as at financial assets at fair value through profit or loss are included in profit and loss account for the period in which they arise.
- Other revenues are recorded, as and when due, on accrual basis.

4.16 BASIC AND DILUTED EARNINGS PER SHARE

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.17 RELATED PARTY TRANSACTIONS

Transactions and contracts with the related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method. Transactions with related parties have been disclosed in the relevant notes to the financial statements.

4.18 TRADE DATE ACCOUNTING

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

5 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

During the current year, economic and political scenarios' deterioration had immense adverse effects on the performance of the equity bourse, depressing sentiments in the investment climate and subsequently denting volumes, resultantly our short term investment portfolio yielded meager profits. This is reflected in Profit and Loss account.

For detail performance review of the company, refer to Directors' Report.

6 PROPERTY AND EQUIPMENT

Particulars	Cost		Rate %	Accumulated Depreciation			WDV As at June 30, 2018			
	As at June 30, 2017	Additions		(deletions)	As at June 30, 2018	Charge for the year		(Adjustment)	As at June 30, 2018	
-----Rupees-----										
OWNED										
Furniture and fittings	658,347	-	-	658,347	10	125,086	53,326	-	178,412	479,935
Office equipment	332,100	7,500	-	339,600	10	56,734	27,912	-	84,646	254,954
Computers	506,551	13,000	-	519,551	30	241,646	79,797	-	321,443	198,108
	1,496,998	20,500	-	1,517,498		423,466	161,035	-	584,501	932,997

6.1 PROPERTY AND EQUIPMENT

Particulars	Cost			Accumulated Depreciation					WIDV As at June 30, 2017
	As at June 30, 2016	Additions	(deletions)	As at June 30, 2017	Rate %	As at June 30, 2016	Charge for the year	(Adjustment)	

-----Rupees-----

-----Rupees-----

OWNED

Furniture and fittings	658,347	-	-	658,347	10	65,835	59,251	-	125,086	533,261
Office equipment	271,100	61,000	-	332,100	10	27,110	29,624	-	56,734	275,366
Computers	448,151	58,400	-	506,551	30	134,445	107,201	-	241,646	264,905
	<u>1,377,598</u>	<u>119,400</u>	<u>-</u>	<u>1,496,998</u>		<u>227,390</u>	<u>196,076</u>	<u>-</u>	<u>423,466</u>	<u>1,073,532</u>

	Note	2018 Rupees	2017 Rupees
7 INTANGIBLE ASSETS			
Trading right entitlement certificate (TREC)	7.1		
Carrying value		5,000,000	5,000,000
Impairment		(2,500,000)	-
		2,500,000	5,000,000
Computer software	7.2	238,383	264,870
		<u>2,738,383</u>	<u>5,264,870</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.

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

	Note	2018 Rupees	2017 Rupees
7.2 Software			
Cost:			
Balance as at July 01,		327,000	327,000
Additions during the year.		-	-
Balance as at June 30,		327,000	327,000
Amortization:			
Balance as at July 01,		62,130	32,700
Charge for the year		26,487	29,430
Balance as at June 30,		88,617	62,130
Net book value		<u>238,383</u>	<u>264,870</u>
Rate of amortization		<u>10%</u>	<u>10%</u>

8 LONG TERM INVESTMENT

Unquoted - Shares of LSE Financial Services Limited:

Available for sale investment

Cost as at July 01,		1,310,267	1,310,267
Fair value adjustment		6,735,887	9,324,718
	8.1	<u>8,046,154</u>	<u>10,634,985</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 Free Cash Flow to Equity model for business valuation. Assumptions and inputs used in the valuation technique mainly include risk-free rate, equity risk premium, long term growth rate and projected rates of increase in revenues, other income and expenses. Principal assumptions used in the valuation of above unquoted investments are 8% (2017: 7%) and 12.23% (2017: 12.91%) in respect of long term growth rate and cost of equity. Projection period of 5 years has been assumed.

	Note	2018 Rupees	2017 Rupees
9 LONG TERM DEPOSITS			
Deposits with:			
Pakistan Stock Exchange Ltd.		-	200,000
National Clearing Company of Pakistan Ltd.	9.1	1,400,000	700,000
Central Depository Company of Pakistan Ltd.		100,000	100,000
		<u>1,500,000</u>	<u>1,000,000</u>

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

	Note	2018 Rupees	2017 Rupees
10 ACCOUNTS RECEIVABLES			
Receivable from clients on account of:			
Clients on account of purchase of shares		12,504,551	6,798,768
Related party on account of purchase of shares	10.1	334,249	604,741
Less: Provision for doubtful debts	10.2	11,909,770	467,949
		929,030	6,935,560
National Clearing Company of Pakistan Ltd.		1,329,078	-
		<u>2,258,108</u>	<u>6,935,560</u>

10.1 Receivable from related parties comprises of the following:

Name	Basis of relationship	Maximum aggregate amount Rupees	2018 Rupees	2017 Rupees
Chaudary Zahid Hussain	Chief Executive Close family member of	-	-	185,293
Shagufta Zahid Chaudary	chief executive Close family member of	-	-	143,660
Saad Zahid Chaudary	chief executive	2,064	2,064	2,064
Muhammad Rizwan Zafar	Director	272,035	272,035	273,724
Syed Ali Raza	Key Management personnel	1,448,807	60,150	-
			<u>334,249</u>	<u>604,741</u>

10.2 Movement is as follows

Opening Balance		467,949	-
Provision made during the year	10.2.1	11,441,821	467,949
		<u>11,909,770</u>	<u>467,949</u>

10.2.1 This includes provision amounting Rs. 2,064 against receivable from Mr. Saad Zahid Chaudary. Provision is based on balances outstanding for more than 5 days exceeding market value of holding securities after VAR haircut.

Note	2018 Rupees	2017 Rupees
Upto five days	119,199	3,878,182
More than five days	809,831	3,057,378
	<u>929,030</u>	<u>6,935,560</u>

11 INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

Investment - listed companies

Carrying value	-	380,131
Loss on remeasurement of fair value of investment as at June 30,	-	(50,996)
	<u>-</u>	<u>329,135</u>

	Note	2018 Rupees	2017 Rupees
12 LOANS AND ADVANCES			
(Unsecured but considered good by the management)			
Advances to:			
Employees		1,364,952	314,927
Related party	12.1	540,880	-
		<u>1,905,832</u>	<u>314,927</u>

12.1 Advance to Company secretary-Mr Syed Ali Raza

Balance as at July 01,	-	-
Disbursed during the year	7,506,880	-
Repayments/adjustments made during the year	(6,966,000)	-
	<u>540,880</u>	<u>-</u>

The maximum aggregate amount outstanding at the month-end balance was amounting Rs. 1,640,880.

	Note	2018 Rupees	2017 Rupees
13 TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND CURRENT ACCOUNT BALANCE WITH STATUTORY AUTHORITIES			
Deposits with:			
National Clearing Company of Pakistan Ltd.	13.1	2,923,000	3,575,000
Tax deducted at source		700,855	685,358
Other deposits		-	3,000
		<u>3,623,855</u>	<u>4,263,358</u>

13.1 This represents deposit with National Clearing Company of Pakistan Limited against exposure margin in respect of trade in future and ready market. These deposits carry profit at rates ranging from 2.8% to 3.8% (2017: 2.75% to 3.1%) per annum.

	Note	2018 Rupees	2017 Rupees
14 CASH AND BANK BALANCES			
These were held as under:			
Cash in hand		517,879	163,366
Cash at bank			
Current accounts:			
Pertaining to brokerage house		6,387,748	8,863,010
Pertaining to clients		1,332,039	4,278,641
		<u>7,719,787</u>	<u>13,141,651</u>
		<u>8,237,666</u>	<u>13,305,017</u>

	Note	2018 Rupees	2017 Rupees
15 SHARE CAPITAL			
Authorized			
350,000 (2017: 350,000) ordinary shares of Rs.100 each		<u>35,000,000</u>	<u>35,000,000</u>
Issued, subscribed and paid up			
350,000 (2017: 100,000 ordinary shares of Rs.100 each fully paid in cash	15.1	<u>35,000,000</u>	<u>10,000,000</u>
15.1 Movement account			
Balance as at July 01, 250,000 (2017: nil) ordinary shares of Rs. 100 issued during the year		10,000,000	10,000,000
		<u>25,000,000</u>	<u>-</u>
		<u>35,000,000</u>	<u>10,000,000</u>

15.2 Pattern of Shareholding:

Categories of shareholders	% age of Shares Held		Number of Shares Held	
	2018	2017	2018	2017
Individuals				
Chief Executive				
Chaudhry Zahid Hussain	99.5%	99.5%	348,250	99,500
Director				
Muhammad Rizwan Zafar	0.5%	0.5%	1,750	500
	<u>100%</u>	<u>100%</u>	<u>350,000</u>	<u>100,000</u>
			2018	2017
			Rupees	Rupees

16 LONG TERM LOAN FROM CHIEF EXECUTIVE

From related party:

Mr. Zahid Hussain-Chief Executive	16.1	<u>1,183,000</u>	<u>1,183,000</u>
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16.1 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 two years which would be subject to enough cash flows of the company. However, repayment may be deferred as mutually agreed between the parties.

17 DEFERRED TAXATION	2018 Rupees	2017 Rupees
Deferred credits/(debits) arising due to:		
Accelerated tax depreciation	60,018	584
Brought forward losses	(156,787)	(184,024)
Provision for doubtful debts	(3,320,646)	-
	<u>(3,417,415)</u>	<u>(183,440)</u>
Balance as at July 01,	-	-
Add: Charge for the year	(3,417,415)	(183,440)
	<u>(3,417,415)</u>	<u>(183,440)</u>

At the year end net deductible temporary differences amounting Rs.11,784,192 (2017:Rs. 611,466) which results in a net deferred tax asset of Rs. 3,417,415 (2017: Rs. 183,440). However, deferred tax asset has not been recognized in these financial statements being prudent. Management is of the view that recognition of deferred tax asset shall be reassessed as at June 30, 2019.

18 DEPOSITS, ACCRUED LIABILITIES AND ADVANCES	Note	2018 Rupees	2017 Rupees
Accrued expenses		574,003	748,102
19 TRADE AND OTHER PAYABLES			
Creditors for sale of shares on behalf of clients	19.1& 19.2	2,235,896	9,157,201
National Clearing Company of Pakistan Ltd.		-	1,105,060
Tax deducted at source payable		19,920	-
Other payables		-	381,753
		<u>2,255,816</u>	<u>10,644,014</u>

19.1 The total value of securities pertaining to clients is Rs. 23,130,179 (2017: Rs. 19,940,304) 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.2,686,642 (2017: Rs.3,986,475) for exposure margin.

19.2 Creditors for sale of shares on behalf of clients include the following amount due to related parties:

Name of related party	Basis of relationship	2018 Rupees	2017 Rupees
Chaudary Zahid Hussain	Chief Executive	30,248	-
Shagufta Zahid Chaudary	Close family member of chief executive	69,614	-
Syed Ali Raza	Company Secretary	77,807	-
		<u>177,669</u>	<u>-</u>

20 CONTINGENCIES AND COMMITMENTS

Contingencies and commitments as at balance sheet date were Rs. Nil (2017: Rs. Nil).

	Note	2018 Rupees	2017 Rupees
21 BROKERAGE AND COMMISSION			
Proprietary customers	21.1	-	260,046
Retail customers		5,848,763	6,958,734
		5,848,763	7,218,780
Less: Sales tax		(806,726)	(816,125)
		<u>5,042,037</u>	<u>6,402,655</u>

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

Name of related party	Basis of relationship	2018 Rupees	2017 Rupees
Chaudary Zahid Hussain	Chief Executive	24,200	112,555
Shagufta Zahid Chaudary	Close family member of chief executive	56,712	62,997
Saad Zahid Chaudary	Close family member of chief executive	-	13,070
Rizwan Zafar Khan	Director	6,840	94,950
Syed Ali Raza	Key Management personnel	57,035	794,090
		<u>144,787</u>	<u>1,077,662</u>

22 DIRECT COST

Charges paid to :

National Clearing Company of Pakistan Ltd.	188,772	22,524
Central Depository Company of Pakistan Ltd.	115,475	69,139
Pakistan Stock Exchange Ltd.	364,736	58,970
LSE financial Services Ltd.	-	124,578
Commission paid	735,961	1,838,385
	<u>1,404,944</u>	<u>2,113,597</u>

	Note	2018 Rupees	2017 Rupees
23 OPERATING EXPENSES			
Directors' remuneration		633,000	720,000
Staff salaries and benefits		1,122,200	1,156,000
Rent, rates and taxes	23.1	99,749	27,207
Communication expenses		128,029	125,158
Postage and courier		1,907	-
Utility charges		141,383	182,433
Travelling and conveyance		35,400	57,541
Printing and stationery		89,773	84,756
Repair and maintenance		186,754	168,310
Legal and professional charges	23.2	238,700	603,750
Fee and subscription		110,843	282,032
Entertainment		295,161	170,055
Insurance expense		5,769	3,032
Advertisement		40,600	-
Office Expenses		21,000	-
Software Expenses		204,600	-
Depreciation	6	161,035	196,076
Amortization	7.2	26,487	29,430
Miscellaneous		-	298,950
		<u>3,542,390</u>	<u>4,104,730</u>

23.1 This includes rent paid to Mr. Syed Ali Raza Company Secretary amounting Rs. 72,000.

23.2 Auditors' remuneration

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

	2018 Rupees	2017 Rupees
Amin, Mudassar & Co. Chartered Accountants		
Statutory audit	68,250	57,750
Certification fee	122,450	47,250
	190,700	105,000
Mudassar Ehtisham & Co. Chartered Accountants		
Certification fee	-	75,000
	<u>190,700</u>	<u>180,000</u>

24 OTHER OPERATING EXPENSES

Provision for doubtful debts	11,441,821	467,949
Impairment on TRE Certificate	2,500,000	-
Balances written off	-	210,495
Unrealized loss on remeasurement of investment at fair value through profit and loss	-	50,996
	<u>13,941,821</u>	<u>729,440</u>

	Note	2018 Rupees	2017 Rupees
25 OTHER OPERATING INCOME			
Income from financial assets/liability			
Dividend income		390,590	393,215
Interest Income		75,106	-
Balances written back		381,753	306,961
		847,449	700,176
Income from assets other than financial assets			
Other income		2,000	81,870
		<u>849,449</u>	<u>782,046</u>

26 FINANCE COST

Bank charges		<u>1,148</u>	<u>11,139</u>
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27 TAXATION

Income tax:			
-Current		1,588,175	113,997
-Prior year		-	6,902
-Deferred		-	-
		<u>1,588,175</u>	<u>120,899</u>

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

27.2 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.

	2018	2017
28 EARNINGS PER SHARE- BASIC AND DILUTED		
Loss for the year-Rupees	<u>(15,227,260)</u>	<u>(158,194)</u>
Weighted average number of ordinary shares outstanding during the year -Numbers	<u>255,250</u>	<u>100,000</u>
Earnings per share-Rupees	<u>(59.66)</u>	<u>(1.58)</u>

29 NUMBER OF EMPLOYEES

	2018 (N u m b e r)	2017
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>

30 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	
	2018 Rupees	2017 Rupees	2018 Rupees	2017 Rupees
Managerial remuneration	451,818	349,091	123,636	305,455
Medical allowance	45,182	34,909	12,364	30,545
	<u>497,000</u>	<u>384,000</u>	<u>136,000</u>	<u>336,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
			2018 Rupees	2017 Rupees

31 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets and financial liabilities

Financial assets

Financial asset- available for sale

Long term investment

8,046,154 10,634,985

Investment at fair value through profit and loss

- 329,135

Loans and receivables

Long term deposits

1,500,000 1,000,000

Trade debts

2,258,108 6,935,560

Loans and advances

1,905,832 314,927

Trade deposits

2,923,000 3,575,000

Cash and bank balances

8,237,666 13,305,017

16,824,606 25,130,504

Financial liabilities

Financial liabilities at amortized cost

Deposits, accrued liabilities and advances

574,003 748,102

Trade and other payables

2,255,816 10,644,014

2,829,819 11,392,116

32 FINANCIAL RISK MANAGEMENT

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

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

a) **Credit Risk**

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

Exposure to Credit Risk

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, short term loans, deposits, receivable / payable against sale of securities and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery. The Company's management, as part of risk management policies and guidelines, reviews clients' financial position, considers past experience, obtain authorized approvals and arrange for necessary collaterals in the form of equity securities to reduce credit risks and other factors. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

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

		2018	2017
		Rupees	Rupees
Long term investment		8,046,154	10,634,985
Long term deposits		1,500,000	1,000,000
Trade debts	32.1.1	2,258,108	6,935,560
Loans and advances		1,905,832	314,927
Trade deposits		2,923,000	3,575,000
Bank balances	32.1.2	7,719,787	13,141,651
		<u>24,352,882</u>	<u>35,602,124</u>

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

	2018 Rupees	2017 Rupees
Upto 1 month	1,767,700	6,925,797
1 to 6 months	440,689	9,763
More than 6 months	49,719	-
	<u>2,258,108</u>	<u>6,935,560</u>

32.1.2 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	2018 Rupees	2017 Rupees
Cash at banks	A1+	<u>7,719,787</u>	<u>13,141,651</u>

b) Liquidity Risk

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

	2018			
	Carrying Amount	Contractual Cash Flows	Maturity up to one year	Maturity after one year
	R	u	p	e 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>

	2017			
	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	748,102	748,102	748,102	-
Trade and other payables	10,644,014	10,644,014	10,644,014	
	<u>11,392,116</u>	<u>11,392,116</u>	<u>11,392,116</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 balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. Further, the company has the support of its sponsors in respect of any liquidity shortfalls.

c) Market Risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk comprises of three types of risk: foreign exchange or currency risk, interest / mark up rate risk and price risk. The market risks associated with the Company's business activities are discussed as under:

i) Foreign Currency 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

The table below summarizes Company's equity price risk as of 30 June 2017 and 2016 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices of investments through profit and loss as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Company's equity investment portfolio.

	Fair Value	Hypothetical Price Change	Estimated Fair Value After Hypothetical Change In Price	Hypothetical Increase/ (Decrease) in Share Holders' Equity
	Rupees		Rupees	Rupees
June 30, 2018	-	10% increase	-	-
	-	10% decrease	-	-
June 30, 2017	329,135	10% increase	362,049	32,914
		10% decrease	296,222	(32,914)

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.

32.2 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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

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

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

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

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

	2018		
	Level 1	Level 2	Level 3
	-----Rupees-----		
Financial assets			
Investment at fair value through profit and loss	-	-	-
Investments available for sale	-	8,046,154	-
	-	8,046,154	-
	2017		
	Level 1	Level 2	Level 3
	-----Rupees-----		
Financial assets			
Investment at fair value through profit and loss	329,135	-	-
Investments available for sale	-	10,634,985	-
	329,135	10,634,985	-

32.3 Capital risk management

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

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

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

	2018 Rupees	2017 Rupees
Total borrowings	-	-
Total equity	26,413,176	31,729,267
Total capital	26,413,176	31,729,267
Gearing ratio	0%	0%

33 OPERATING SEGMENT

33.1 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.

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

34 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 statement of financial position	Reclassification to statement of financial position	2017 Rupees
Trade and other payables	Deposits, accrued liabilities and advances	748,102

35 GENERAL

Figures have been rounded off to the nearest of rupee.

36 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 12 SEP 2018 by the Board of Directors of the Company.



CHIEF EXECUTIVE



DIRECTOR