

AL-HAQ SECURITIES (PRIVATE) LIMITED  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

**Independent Auditor's Report To The Members Of**  
**Al-Haq Securities (Private) Limited**

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

**Opinion**

We have audited the annexed financial statements of **Al-Haq Securities (Private) Limited** (the Company), which comprise the statement of financial position as at June 30, 2018, the statement of profit or loss and other 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, the statement of profit or loss and other comprehensive income, the statement of changes in equity and 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, other 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 Auditors' Report thereon**

Management is responsible for the other information presented along with the financial statements and the auditors' report thereon. With respect to the Company the other information comprises only the Director's Report on the operations of the Company.

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.

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### **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 is responsible for overseeing the Company's financial reporting process.

### **Auditors' 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 auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and 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 was in compliance with requirement of section 78 of the Securities Act, 2015, and the relevant requirements of the Securities Brokers (Licencing and Operations) Regulations, 2016 as on the date of statement of financial position.

The Engagement partner on the audit resulting in this independent auditors' report is Mr. Osman Hameed Chaudhri.

LAHORE; 10 SEP 2018

*SHC* *ShineWing Hameed Chaudhri & Co.*  
SHINEWING HAMEED CHAUDHRI & CO.,  
CHARTERED ACCOUNTANTS

**AL-HAQ SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2018**

		2018	2017
	Note	----- Rupees -----	
<b>Assets</b>			
<b>Non current assets</b>			
Operating fixed assets	6	405,134	252,868
Intangible assets	7	9,600,000	9,600,000
Long term investment	8	14,887,719	14,887,719
Security deposits	9	8,850,000	10,850,000
		<u>33,742,853</u>	<u>35,590,587</u>
<b>Current assets</b>			
Short term investments	10	14,122,956	67,589,528
Due from clients	11	16,594,130	37,297,004
Advances and other receivables	12	939,900	706,000
Tax deducted at source		8,726,856	4,322,389
Cash and bank balances	13	62,709,429	85,483,633
		<u>103,093,271</u>	<u>195,398,554</u>
<b>Total Assets</b>		<u><u>136,836,124</u></u>	<u><u>230,989,141</u></u>
<b>Equity and Liabilities</b>			
<b>Share Capital and Reserves</b>			
Authorised capital			
1000,000 ordinary shares of Rs.100 each		<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid-up capital			
608,410 ordinary shares of Rs.100 each		60,841,000	60,841,000
Share deposit money		-	14,900,000
Unappropriated profit		<u>6,249,706</u>	<u>22,606,032</u>
		<u>67,090,706</u>	<u>98,347,032</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	65,061,675	131,338,607
Short term finance	15	146,715	464,870
Accrued mark-up		252	286,138
Taxation	16	4,536,776	552,494
		<u>69,745,418</u>	<u>132,642,109</u>
<b>Total Liabilities</b>		<u>69,745,418</u>	<u>132,642,109</u>
<b>Contingencies and commitments</b>	17		
<b>Total Equity and Liabilities</b>		<u><u>136,836,124</u></u>	<u><u>230,989,141</u></u>

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

  
Chief Executive

SHC

  
Director


**AL-HAQ SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 ----- Rupees -----	2017
Operating revenue	18	7,311,367	10,021,787
Loss on sale of short term investments - net		(10,016,821)	(1,381,741)
Fair value (loss) / gain on remeasurement of investments through profit or loss		(3,730,397)	29,533,746
Other income	19	3,250,219	4,110,778
		(3,185,632)	42,284,570
Administrative and operating expenses	20	(8,173,996)	(10,009,092)
Other expenses	21	(515,083)	(885,592)
Financial charges	22	(154,595)	(985,984)
<b>(Loss) / profit before taxation</b>		<b>(12,029,306)</b>	<b>30,403,902</b>
<b>Taxation</b>	<b>16</b>		
- current		(4,536,776)	(552,494)
- prior year		209,756	(94,391)
		(4,327,020)	(646,885)
<b>(Loss) / profit after taxation</b>		<b>(16,356,326)</b>	<b>29,757,017</b>
<b>Other Comprehensive Income</b>		-	-
<b>Total Comprehensive (Loss) / Income</b>		<b>(16,356,326)</b>	<b>29,757,017</b>

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

  
Chief Executive

SHC

  
Director



**AL-HAQ SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	2018	2017
	----- Rupees -----	
<b>Cash flow from operating activities</b>		
(Loss) / profit before taxation	(12,029,306)	30,403,902
Adjustments for non-cash charges and other items:		
Depreciation	58,784	42,595
Provision for doubtful debts	515,083	885,592
Dividend income	(788,820)	(1,871,562)
Finance cost	32,545	949,195
Fair value loss / (gain) on remeasurement of investments through profit or loss	3,730,397	(29,533,746)
<b>(Loss) / profit before working capital changes</b>	<b>(8,481,317)</b>	<b>875,976</b>
<b>Effect on cash flow due to working capital changes</b>		
(Increase) / decrease in current assets:		
Short term investments	49,736,675	(8,528,294)
Due from clients	20,187,791	(22,945,737)
Advances, prepayments and other receivables	(233,900)	3,308,502
(Decrease) / increase in current liabilities:		
Trade creditors	(29,754,235)	55,769,515
Accrued and other liabilities	(36,523,197)	22,716,729
	3,413,134	50,320,715
<b>Cash (used in) / generated from operations</b>	<b>(5,068,183)</b>	<b>51,196,691</b>
Security deposits	2,000,000	(9,500,000)
Income tax paid	(4,747,205)	(3,368,346)
<b>Net cash (used in) / generated from operations</b>	<b>(7,815,388)</b>	<b>38,328,345</b>
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(211,050)	(49,160)
Repayment of share deposit money	(14,900,000)	-
Dividend received	788,820	1,871,562
<b>Net cash (used in) / generated from investing activities</b>	<b>(14,322,230)</b>	<b>1,822,402</b>
<b>Cash flow from financing activities</b>		
Short term finance - net	(318,155)	(238,910)
Finance cost paid	(318,431)	(663,056)
<b>Net cash used in financing activities</b>	<b>(636,586)</b>	<b>(901,966)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(22,774,204)</b>	<b>39,248,781</b>
<b>Cash and cash equivalents - at beginning of the year</b>	<b>85,483,633</b>	<b>46,234,852</b>
<b>Cash and cash equivalents - at end of the year</b>	<b>62,709,429</b>	<b>85,483,633</b>

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

  
**Chief Executive**

**SHC**

  
**Director**

**AL-HAQ SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Share capital	Share deposit money	(Accumulated loss) / Unappropriated profit	Total
----- Rupees -----				
Balance as at July 01, 2016	60,841,000	14,900,000	(7,150,985)	68,590,015
Total comprehensive loss for the year ended June 30, 2017	-	-	29,757,017	29,757,017
<b>Balance as at June 30, 2017</b>	<b>60,841,000</b>	<b>14,900,000</b>	<b>22,606,032</b>	<b>98,347,032</b>
Total comprehensive income for the year ended June 30, 2018	-	-	(16,356,326)	(16,356,326)
Repayment of Share deposit money	-	(14,900,000)	-	(14,900,000)
<b>Balance as at June 30, 2018</b>	<b>60,841,000</b>	<b>-</b>	<b>6,249,706</b>	<b>67,090,706</b>

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

  
Chief Executive

SHC

  
Director



**AL-HAQ SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**1. LEGAL STATUS AND OPERATIONS**

Al-Haq Securities (Private) Limited (the Company) was incorporated in Pakistan as a Private Company Limited by shares under the Companies Ordinance, 1984 (now the Companies Act, 2017) on May 25, 2006. The Company is a Trading Right Entitlement Certificate holder of the Pakistan Stock Exchange Limited. The Company is principally engaged in shares brokerage & trading business. The registered office of the Company is situated at Room No.405/407, LSE Building, Lahore.

**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 Basis of measurement**

These financial statements have been prepared under the historical cost convention except for investments, which are carried at fair value.

**2.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees which is the functional currency of the Company and figures are rounded off to the nearest rupees unless otherwise stated.

**3. Changes in accounting standards, laws and interpretations**

**3.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant**

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

- (a) Amendments to IAS 7, 'Statement of cash flows'. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments only resulted in some additional disclosures in the Company's financial statements.
- (b) IAS 12 'Income taxes' (Amendment), on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. Further, there are no debt instruments measured at fair value. The Company's current accounting treatment is already in line with the requirements of this standard.

- (c) The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual financial statements of the Company. Further, the disclosure requirements contained in the fifth schedule to the Act have been revised, resulting in the incorporation of significant additional disclosures and elimination of duplicative disclosures with the IFRS disclosure requirements.

**3.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company**

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after July 01, 2018 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- (a) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 01, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Company has yet to assess the impact of these changes on its financial statements.
- (b) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 1, 2018. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is assessing the impact of this standard on its financial statements.
- (c) IFRS 16, 'Leases' is applicable to accounting periods beginning on or after January 1, 2019. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all the leases on the reporting date. This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessor will not significantly change. Some differences may arise as a result of the new guidance on the definition of lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has yet to assess the impact of this standard on its financial statements.

There are a number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and, therefore, have not been presented here.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.



The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- (i) Estimate of useful lives and residual values of depreciable assets and provision for impairment there against [note 5.1];
- (ii) Classification and valuation of investments [note 5.3];
- (iii) Provision for taxation [note 5.7] and
- (iv) Provisions [note 5.8].

## 5. SUMMARY SIGNIFICANT ACCOUNTING POLICIES

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

### 5.1 Operating fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to income by applying reducing balance method at the rates specified in note 6. Depreciation on additions to fixed assets is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is disposed off.

Normal repairs and replacements are taken to statement of profit or loss. Major improvements and modifications are capitalised and assets replaced, if any, other than those kept as stand-by, are retired.

Gain / loss on disposal of fixed assets, if any, is taken to statement of profit or loss.

### 5.2 Intangible assets

#### Trading Right Entitlement Certificate

In the absence of active market price, Trading Right Entitlement Certificate has been carried at the same value that was determined when the membership card of Lahore Stock Exchange Limited was swapped under the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 with the shares of Lahore Stock Exchange Limited and Trading Right Entitlement Certificate after changing of impairment, if required (note 7.1).

### 5.3 Investments

#### (a) 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 these are re-measured to fair value, with any resultant gain or loss being recognised in other comprehensive income. Gains or losses on available for sale investments are recognised 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 reported in other statement of comprehensive income is reclassified to statement of profit or loss.

The Company uses latest stock exchange quotations to determine the fair value of its quoted investments.

#### (b) At fair value through profit and loss

These are held for trading purpose. An investment is classified in this category if acquired principally for the purpose of selling in the short-term. Investments in this category are classified as current assets. These are stated at fair value with any resulting gain or losses recognised directly in statement of profit or loss.



**5.4 Impairment losses**

The carrying amounts of the Company's assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

**5.5 Cash and cash equivalents**

Cash and cash equivalents are carried in the reporting date. For the purpose of cash flow statement, cash and cash equivalents consist of cash-in-hand and balances with banks.

**5.6 Trade and other payables**

Liabilities for trade and other payables 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.

**5.7 Taxation****(a) Current and prior year**

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantially enacted by reporting date and is based on current rates of taxation being applied on the taxable income for the year, after taking into account, tax credits and rebates available, if any. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalised during the year.

**(b) Deferred**

Deferred tax is recognised using the statement of financial position liability method on all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

**5.8 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

**5.9 Borrowings and borrowing costs**

All borrowings are recorded at the proceeds received. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which these are incurred.

**5.10 Revenue recognition**

Revenue is recognised 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 consideration received or receivable on the following basis:

- brokerage income is accounted for on 'accrual basis'.
- capital gains and losses on sale of investments are recorded on the date of sale.
- dividend income is accounted for when the right of receipt is established.

**5.11 Financial instruments**

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the statement of profit or loss for the year.

Financial instruments carried on the statement of financial position include deposits, due from clients, advances, investments, bank balances, trade and other payable and accrued mark-up. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**5.12 Off-setting of financial assets and liabilities**

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

**6. OPERATING FIXED ASSETS - tangible**

	Furniture and fixtures	Office equipment	Total
	----- Rupees -----		
<b>At July 1, 2016</b>			
Cost	61,100	1,374,019	1,435,119
Accumulated depreciation	49,071	1,139,745	1,188,816
<b>Net book value</b>	<b>12,029</b>	<b>234,274</b>	<b>246,303</b>
<b>Year ended June 30, 2017</b>			
Opening net book value	12,029	234,274	246,303
Additions	-	49,160	49,160
Depreciation charge	1,804	40,791	42,595
<b>Closing net book value</b>	<b>10,225</b>	<b>242,643</b>	<b>252,868</b>
<b>At June 30, 2017</b>			
Cost	61,100	1,423,179	1,484,279
Accumulated depreciation	50,875	1,180,536	1,231,411
<b>Net book value</b>	<b>10,225</b>	<b>242,643</b>	<b>252,868</b>
<b>Year ended June 30, 2018</b>			
Opening net book value	10,225	242,643	252,868
Additions	-	211,050	211,050
Depreciation charge	1,534	57,250	58,784
<b>Closing net book value</b>	<b>8,691</b>	<b>396,443</b>	<b>405,134</b>
<b>At June 30, 2018</b>			
Cost	61,100	1,634,229	1,695,329
Accumulated depreciation	52,409	1,237,786	1,290,195
<b>Net book value</b>	<b>8,691</b>	<b>396,443</b>	<b>405,134</b>
<b>Annual depreciation rate (%)</b>	<b>15</b>	<b>15</b>	



**7. INTANGIBLE ASSETS**

	Note	2018 ----- Rupees -----	2017
Trading Right Entitlement Certificate - PSX	7.1	5,000,000	5,000,000
Room at LSE building		4,600,000	4,600,000
		<u>9,600,000</u>	<u>9,600,000</u>

7.1 In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act), the Company received Trading Right Entitlement Certificate (TREC) and equity shares of LSE Financial Services Ltd. (formerly Lahore Stock Exchange Ltd.) in lieu of its membership card of Lahore Stock Exchange Ltd. The Company's entitlement in respect of shares of LSE Financial Services Ltd. was determined on the basis of the valuation of assets and liabilities of Lahore Stock Exchange Ltd. as approved by the SECP. The Company has been allotted with 843,975 shares of LSE Financial Services Ltd., having face value of Rs.10 each.

7.2 As at June 30, 2013 the active market value of TREC and equity shares of LSE Financial Services Ltd. was not available. The allocation of the carrying amount of membership card to the composite assets i.e. TREC and equity shares was made on proportionate basis at ratio of 32:68 which was determined on the basis of fair value estimate of LSE Financial Services Ltd.

**8. LONG TERM INVESTMENT**

These represent 843,975 (2017: 843,975) ordinary shares of Rs.10 each of LSE Financial Services Ltd. In the absence of active market value, these shares have been carried at the value as determined at the time of receipt of these shares under the swap scheme (note 7.2).

**9. SECURITY DEPOSITS**

Deposits with:

Pakistan Stock Exchange Ltd.	7,000,000	9,000,000
National Clearing Company of Pakistan	1,100,000	1,100,000
Pakistan Mercantile Exchange Ltd.	750,000	750,000
	<u>8,850,000</u>	<u>10,850,000</u>

**10. SHORT TERM INVESTMENTS - held for trading**

No. of shares		Name of the Company	Market value	
June 30, 2018	June 30, 2017		June 30, 2018	June 30, 2017
----- Rupees -----				
-	226	Allied Bank Ltd.	-	20,254
-	229	Arif Habib Corporation Ltd.	-	9,442
599	599	Adamjee Insurance Company Ltd.	29,189	40,947
8,166	8,166	Askari Bank Ltd.	178,590	164,708
-	3	Akzo Nobel Pakistan Ltd.	-	720
-	140	Azgard Nine Ltd.	-	1,558
440	-	Aisha Steel Mills Ltd.	6,939	-
2,202	2,202	Aisha Steel Mills Ltd. Preference	43,401	52,143
255	255	Attock Refinery Ltd.	54,904	97,558
500	500	Al-Azhar Textile Mills Ltd.- Freeze	130	-
2,009	2,009	Bank Alfalah Ltd.	105,051	80,762
592	592	Bank Al Habib Ltd.	46,667	33,596
14,763	14,921	Carry forward	464,871	501,688



2018	2017		2018	2017
---Number of shares---			-----Rupees-----	
14,763	14,921	Brought forward	464,871	501,688
-	109	Biafo Industries Ltd.	-	27,282
-	500	Bankislami Pakistan Ltd.	-	6,650
-	2	The Bank Of Khyber	-	32
49,816	5,316	The Bank Of Punjab	601,279	62,622
-	3,721	The Bank Of Punjab - right	-	149
-	8	Best Way Cement Ltd.	-	1,753
5,100	5,100	Byco Petroleum Pakistan Ltd.	62,220	97,410
2,350	2,350	Capital Assets Leasing Corporation Ltd.	22,443	26,761
234	234	First Capital Mutual Fund	2,340	2,340
-	10	The Crescent Textile Mill Ltd.	-	375
612	612	Crescent Steel & Allied Products Ltd.	55,796	146,005
4,500	5,500	Dewan Cement Ltd.	81,000	110,990
8,000	-	Dewan Farooq Motor Ltd.	227,440	-
342	342	D.G. Khan Cement Company Ltd.	39,156	72,901
4,013	14,013	Dewan Salman Fibre Ltd.	3,531	57,033
-	257	Efu General Insurance Ltd.	-	37,265
287	287	Efu Life Assurance Ltd.	89,395	78,925
-	1,601	Faysal Bank Ltd.	-	36,022
-	1,007	Fatima Fertilizer Company Ltd.	-	33,926
-	1,318	First Capital Securities Corp Ltd.	-	5,114
-	834	First Dawood Investment Bank Ltd.	-	2,677
-	500	Fauji Fertilizer Bin Qasim Ltd.	-	21,420
-	5,849	First Fidelity Leasing Modaraba	-	19,009
-	22	First Habib Modaraba	-	241
-	500	First National Bank Modaraba	-	1,580
-	2,274	First Punjab Modaraba	-	18,192
1,100	1,100	First Tri-Star Modaraba	8,789	12,089
-	160	First Udi Modaraba	-	6,032
-	26	Golden Arrow Selected Stock Fund Ltd.	-	343
1,330	1,330	Genertech Pakistan Ltd. - Freeze	-	-
-	111	Habib-Adm Ltd.	-	2,403
-	42	Honda Atlas Car Pakistan Ltd.	-	36,443
953	856	Highnoon Laboratories Pakistan Ltd.	391,216	536,087
-	60	IBL Healthcare Ltd.	-	7,320
-	7	ICI Pakistan Ltd.	-	7,662
-	101,812	Invest Capital Investment Bank Ltd.	-	214,823
-	43	IGI Investment Bank Ltd.	-	130
298	298	IGI Holding Ltd.(prev IGI Insurance Ltd.)	85,824	94,406
13	13	Innovative Investment Bank Ltd. - Freeze	-	-
1,500	1,500	Jahangir Siddiqui & Company Ltd.	27,285	34,245
211	211	JS Large Cap. Fund	30,253	22,256
87,466	50,466	K-Electric Ltd.	496,807	348,215
-	82	Kohinoor Mills Ltd.	-	3,892
-	420	Kohinoor Power Company Ltd.	-	2,982
109	109	KSB Pumps Company Ltd.	30,520	34,335
182,997	225,833	Carry forward	2,720,165	2,732,005

2018	2017		2018	2017
---Number of shares---			-----Rupees-----	
182,997	225,833	Brought forward	2,720,165	2,732,005
-	500	Leather Up Ltd.	-	11,000
50,584	50,584	Lotte Chemical Pakistan Ltd.	604,985	498,252
-	14	MCB Bank Ltd.	-	2,946
2,936	436	Maple Leaf Cement Factory Ltd.	148,973	48,553
-	273	Modaraba Al-Mali	-	1,092
135,000	741,000	Mughal Iron and Steel Industries Ltd.	8,291,700	59,820,930
172	172	National Foods Ltd.	54,866	46,612
500	500	National Bank of Pakistan Ltd.	23,685	29,505
-	2,962	NIB Bank Ltd.	-	5,095
-	60	Nishat Mills Ltd.	-	9,521
20,000	20,000	Noorie Textile Mill Ltd. - revoked	-	-
*2,511	2,511	Pak Elektron Ltd.	89,040	277,014
550	550	Pak Datacom Ltd.	32,973	28,325
-	30,000	Pervaz Ahmed Securities Ltd.	-	59,100
243	243	Pakistan Engineering Company Ltd.	59,839	57,105
-	51,809	Pakistan International Airlines Corporation Ltd.	-	301,397
2,360	2,360	PICIC Investment Fund	-	35,400
247	247	Pioneer Cement Ltd.	11,574	32,110
212	212	Pakistan Petroleum Ltd.	45,559	31,406
110	110	MCB Pakistan Stock Market Fund	1,100	1,100
-	100	Pakistan Telecommunication Co Ltd.	-	1,561
303	803	Samba Bank Ltd.	2,318	5,741
2,592	2,592	Standard Chartered Bank Pak Ltd.	62,156	60,886
404	340	The Searle Company Ltd.	137,158	174,073
5,500	5,500	Southern Electric Power Company Ltd. - Freeze	-	-
2,500	2,500	Shifa International Hospital Ltd.	675,000	825,000
1,000	1,000	Shahpur Textile Mills Ltd. - Freeze	180	-
-	354	Security Investment Bank Ltd.	-	1,770
510,198	510,198	Silk Bank Ltd.	693,869	857,133
-	16	Security Leasing Corporation Ltd.	-	78
-	2,153	Summit Bank Ltd.	-	8,870
2,246	2,246	Soneri Bank Ltd.	29,131	32,971
643	643	Sui Northern Gas Pipelines Ltd.	64,441	95,756
-	500	Sitara Peroxide Ltd.	-	15,550
100,000	100,000	Saudi Pak Leasing Co. Ltd.	90,000	243,000
500	500	Sargodha Spinning Mills Ltd.	12,920	8,000
-	210	Sui Southern Gas Company Ltd.	-	7,646
-	627	Trust Investment Bank Ltd.	-	2,144
2,636	2,408	Tri-Star Polyester Ltd.	43,784	73,300
-	310	Trust Modaraba	-	1,271
-	1,000	Trust Securities & Brokerage Ltd.	-	16,000
5,500	5,500	Tri-Star Power Ltd.	34,540	62,810
100,000	350,000	World Call Telecom Ltd.	193,000	1,067,500
1,900	1,900	Zeal Pak Cement Factory Ltd. - Freeze	-	-
<b>1,134,344</b>	<b>2,121,576</b>		<b>14,122,956</b>	<b>67,589,528</b>

10.1 As at June 30, 2018, shares having value of Rs.10126 million are pledged with National Clearing Company of Pakistan as margin against trading.

11. DUE FROM CLIENTS-Unsecured	Note	2018	2017
		----- Rupees -----	----- Rupees -----
Considered good		19,495,697	39,683,488
Less: provision for doubtful debts		(2,901,567)	(2,386,484)
		<u>16,594,130</u>	<u>37,297,004</u>
<b>12. ADVANCES AND OTHER RECEIVABLES</b>			
Advances to staff		843,000	651,000
Other receivables		96,900	55,000
		<u>939,900</u>	<u>706,000</u>
<b>13. CASH AND BANK BALANCES</b>			
Cash in hand		221,879	273,544
Cash at banks - current accounts			
- client accounts		62,466,140	74,970,537
- house accounts		21,410	10,239,552
		<u>62,709,429</u>	<u>85,483,633</u>
<b>14. TRADE AND OTHER PAYABLES</b>			
Trade creditors	14.1	64,751,933	94,506,168
Accrued expenses		190,575	287,228
Due to a Director		-	36,483,813
Others		119,167	61,398
		<u>65,061,675</u>	<u>131,338,607</u>
14.1 These include an amount of Rs.0.725 million (2017: Rs.10.384 million) payable to Mr. Ammar Ul Haq (Director), against his normal trading activity.			
<b>15. SHORT TERM FINANCE</b>		2018	2017
		----- Rupees -----	----- Rupees -----
Running finance - secured		1,465	464,870
Temporary bank overdraft - unsecured		145,250	-
		<u>146,715</u>	<u>464,870</u>
Short term running finance facility available from various commercial banks under mark-up arrangements aggregate Rs.70 million (2017: Rs 40 million).This finance facility, during the current financial year, carried mark-up at the rates ranging from 11.14% to 11.50% (2017:11.04% to 11.35%) per annum. This facility is secured against personal guarantee all Directors, hypothecation charge over receivables of the Company of Rs 54.00 million with 25% margin and mortgage of property measuring 2 kanals, located at House # 30,Block S, phase II, DHA Lahore Cantt owned by Ammar ul Haq and Asnan ul Haq (Directors) and lien over personal bank account of Ammar ul Haq (Director) amounting to Rs.34 million and 100% cash margin in shape of lien over deposit.			
<b>16. TAXATION - net</b>		2018	2017
		----- Rupees -----	----- Rupees -----
Opening balance		552,494	122,127
Add: provision made during the year for:			
- current		4,536,776	552,494
- prior year		(209,756)	94,391
		<u>4,327,020</u>	<u>646,885</u>
Less: adjusted against completed assessment		(342,738)	(216,518)
Closing balance		<u>4,536,776</u>	<u>552,494</u>



16.1 Provision for current year includes mainly tax on dividend income, commission income and capital gain under section 150, 233 and 37A respectively of the Income Tax Ordinance, 2001.

16.2 Income tax assessments of the Company have been finalised by the Income Tax Department or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 upto the year ended June 30, 2017.

#### 17. CONTINGENCIES AND COMMITMENTS

There was no known contingent liability and commitment as at June 30, 2018 and June 30, 2017.

#### 18. OPERATING REVENUE

	Note	2018 ----- Rupees -----	2017
Brokerage income:			
- retail customers		6,313,210	7,704,205
- proprietary trade		209,337	446,020
		6,522,547	8,150,225
Dividend income		788,820	1,871,562
		<u>7,311,367</u>	<u>10,021,787</u>

#### 19. OTHER INCOME

This represents profit earned on deposit account.

#### 20. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries and benefits		2,912,900	3,715,600
Director's remuneration		1,320,000	1,380,000
Fees and subscription		136,840	244,790
Travelling and conveyance		27,220	20,565
Auditors' remuneration			
- statutory audit		63,000	63,000
- other certification charges		94,500	187,000
		157,500	250,000
Printing and stationery		104,626	113,505
Repair and maintenance		134,258	102,243
Entertainment		707,688	698,558
Postage and communication		440,430	382,616
Electricity		471,291	419,463
News paper & periodicals		10,976	10,056
LSE charges		43,786	748,429
CDC & clearing house charges		1,010,311	649,524
Depreciation	6	58,784	42,595
Legal & professional charges		67,790	393,727
Donations		15,500	293,750
Others		554,096	543,671
		<u>8,173,996</u>	<u>10,009,092</u>

<b>21. OTHER EXPENSES</b>	<b>2018</b>	<b>2017</b>
	<b>----- Rupees -----</b>	
Provision for doubtful debts	<b>515,083</b>	<b>885,592</b>
<b>22. FINANCIAL CHARGES</b>		
Mark-up on short term finance	<b>32,545</b>	<b>949,195</b>
Bank charges	<b>122,050</b>	<b>36,789</b>
	<b>154,595</b>	<b>985,984</b>

**23. TRANSACTIONS WITH RELATED PARTIES**

The transactions executed with the related parties are normal trading activity carried out by one of the Company's director and short term advances given to the Company. Payable balances to one of the Company's director against his trading activity and advances have been disclosed in note 14 to these financial statements.

**24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES****24.1 Financial Risk Factors**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried-out by the Company's finance department under policies approved by the board of directors. The Company's finance department evaluates financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

**(a) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

**(b) Currency risk**

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company activities at present does not expose to any currency risk.

**(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. The Company activities at present only expose it to interest rate risk against short term borrowing.

**(d) Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market.

The Company's investment in shares of a quoted Company expose it to price risk due to change in the prices of shares of quoted company.

A change of 10% in the price of shares of quoted Companies at reporting date would have decreased loss before tax for the year by Rs.1.411 million (2017: increased profit before tax by Rs.6.758 million).



**24.2 Credit risk exposure and concentration of credit risk**

Credit risk represents the risk of a loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk primarily arises from due from clients, advances, investments and balances with banks. To manage exposure to credit risk in respect of due to clients, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings.

**Exposure to credit risk**

The maximum exposure to credit risk as at June 30, 2018 along with comparative is tabulated below:

	2018	2017
	----- Rupees -----	
Long term investment	14,887,719	14,887,719
Security deposits	8,850,000	10,850,000
Due from clients	16,594,130	37,297,004
Short term investments	14,122,956	67,589,528
Advances and other receivables	939,900	706,000
Cash and bank balances	62,487,550	85,210,089
	<u>117,882,255</u>	<u>216,540,340</u>

**24.3 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 is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

Financial liabilities in accordance with their contractual maturities are presented below:

Particulars	Carrying amount	Contractual cash flows	Less than 1 year
	----- Rupees -----		
<b>June 30, 2018</b>			
Trade and other payables	64,751,933	64,751,933	64,751,933
Accrued and other liabilities	309,742	309,742	309,742
Short term finance	146,715	146,715	146,715
	<u>65,208,390</u>	<u>65,208,390</u>	<u>65,208,390</u>
<b>June 30, 2017</b>			
Trade and other payables	94,506,168	94,506,168	94,506,168
Due to Director	36,483,813	36,483,813	36,483,813
Accrued and other liabilities	348,626	348,626	348,626
Short term finance	464,870	464,870	464,870
	<u>131,803,477</u>	<u>131,803,477</u>	<u>131,803,477</u>



**24.4 Fair value hierarchy**

The table below analyzes financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- 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 (that is, as prices) or indirectly (that is, derived from prices) [Level 2].
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) [Level 3].

The following table presents the Company's assets that are measured at fair value as at the year end:

	Level 1	Level 3
	----- Rupees -----	
<b>June 30, 2018</b>		
Long term investment	-	14,887,719
Short term investments	14,122,956	-
<b>June 30, 2017</b>		
Long term investment	-	14,887,719
Short term investments	67,589,528	-

**24.5 Fair value of financial assets and liabilities**

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

**25. CAPITAL RISK MANAGEMENT**

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity ratio under the financing agreements.

**26. REMUNERATION OF CHIEF EXECUTIVE AND A DIRECTOR**

Particulars	Chief Executive		Directors	
	2018	2017	2018	2017
	----- Rupees -----			
Managerial remuneration	660,000	660,000	660,000	720,000
No. of persons	1	1	1	1

**27. NUMBER OF EMPLOYEES**

The total number of employees as at June 30, 2018 were 17 (2017: 17) and their average numbers during the year were 17 (2017: 17).

**28. PATTERN OF SHAREHOLDING**

As at June 30, 2018 following persons held more than 5% of the issued, subscribed and paid-up capital of the Company.

- Mr. Asnan Ul Haq (Chief Executive)
- Mr. Ammar Ul Haq

**29. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS**

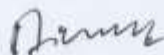
- 29.1** During the year, the Companies Act, 2017 along with revised fifth schedule become applicable to the financial statements of the Company.
- 29.2** During the year, prices of the Company's investments in listed equities showed a decreasing trend. This has been reflected in statement of profit or loss as a reversal of booked unrealized capital gains and loss on sale of investments.
- 29.3** All the significant transactions and events that have affected the Company financial position and performance during the year have been adequately disclosed in these financial statements. For detail performance review of the Company refer Directors' Report on the Company's operations.

**30. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS**

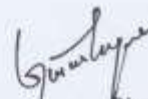
These financial statements were authorised for issue on **10 SEP 2018** by the board of directors of the Company.

**31. GENERAL**

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison; however, no material re-arrangements have been made in these financial statements.



Chief Executive



Director