
**B & B SECURITIES
(PRIVATE) LIMITED**

Financial Statements
for the year ended June 30, 2018

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ALTAf ADAM SECURITES (PRIVATE) LIMITED
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **B & B Securities (Private) Limited** which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, 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, statement of profit or loss, other 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, other 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.

Emphasis of Matter(s)

We draw attention to note number 19.1 to the financial statements which state that SRB registration of the company has been suspended due to non – filling of sales tax return.

Further, we draw attention to note 10.1 to the annexed financial statements relating to deferred tax asset. Management believes that the asset will be utilized in coming years, relating to provision for trade debts. However, uncertainty is attached with the realization of recognized deferred tax asset.

Our opinion is not qualified in respect of these matter.

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 to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss 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 Company's business; and
- d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Farhan Ahmed Memon**.

Reanda Haroon Zakaria
Reanda Haroon Zakaria & Company
Chartered Accountants

Place: Karachi

Dated:

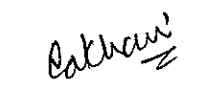
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B & B SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
<u>ASSETS</u>			
Non-Current Assets			
Property and equipment	5	598,932	553,079
Intangible assets	6	2,500,000	2,500,000
Long term investment	7	21,353,581	41,163,833
Long term deposits	8	600,000	600,000
Long term advances	9	86,753	319,879
Deferred tax asset	10	16,269,378	23,688,019
		<u>41,408,644</u>	<u>68,824,810</u>
Current Assets			
Short term investments	11	46,108,629	39,740,652
Trade debts	12	86,183,626	57,975,073
Trade deposits, prepayments and other receivable	13	263,320	26,133,583
Tax refund due from government	14	975,773	975,773
Cash and bank balances	15	3,252,587	14,271,145
		<u>136,783,935</u>	<u>139,096,226</u>
Total Assets		<u><u>178,192,579</u></u>	<u><u>207,921,036</u></u>
<u>EQUITY AND LIABILITIES</u>			
Capital and Reserves			
Authorized Share Capital			
17,000,000 (2017 : 17,000,000) Ordinary shares of Rs.10 each		<u>170,000,000</u>	<u>170,000,000</u>
Issued, subscribed and paid-up capital			
17,000,000 (2017 : 17,000,000) Ordinary shares of Rs.10 each		170,000,000	170,000,000
Capital reserve		24,245,990	33,751,496
Accumulated loss		<u>(74,821,367)</u>	<u>(56,760,221)</u>
		<u>119,424,623</u>	<u>146,991,275</u>
Long Term Liabilities			
Long term loan	16	3,547,802	3,316,387
Current Liabilities			
Short term borrowings	17	48,172,259	37,270,655
Trade and other payables	18	6,145,283	15,378,976
Accrued markup		902,612	475,474
Deferred income		-	4,488,269
		<u>55,220,154</u>	<u>57,613,374</u>
Contingencies and Commitments	19		
Total Equities and Liabilities		<u><u>178,192,579</u></u>	<u><u>207,921,036</u></u>

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



Chief Executive


Director

B & B SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Revenue			
Brokerage income	20	5,374,930	11,632,032
Dividend income		1,549,949	1,228,159
Capital gain on sale of securities - Net		1,442,484	59,276,209
Unrealized loss on re-measurement of investment		(9,794,036)	(6,179,073)
		<u>(1,426,673)</u>	<u>65,957,327</u>
Expenses			
Administrative and operating expenses	21	15,467,077	9,514,846
Impairment in value of TREC		-	2,500,000
Bad debts		-	56,720,055
Financial charges	22	4,510,908	4,800,462
		<u>19,977,985</u>	<u>73,535,363</u>
Other operating income	23	12,065,240	10,531,874
(Loss) / profit before tax		<u>(9,339,418)</u>	<u>2,953,838</u>
Taxation			
Current		1,303,087	1,259,592
Prior		-	1,942,413
Deferred		7,418,641	(22,035,376)
		<u>8,721,728</u>	<u>(18,833,371)</u>
(Loss) / profit after tax		<u>(18,061,146)</u>	<u>21,787,209</u>

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


Chief Executive


Director


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

	<i>2018</i> <i>Rupees</i>	<i>2017</i> <i>Rupees</i>
(Loss) / profit after tax	(18,061,146)	21,787,209
Other comprehensive income		
Re-classification of gain to profit and loss from equity	-	(12,877,698)
(Reversal) / surplus on revaluation of investment	(9,505,506)	25,166,362
Total comprehensive (loss) / income for the year	<u>(27,566,652)</u>	<u>34,075,873</u>

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



Chief Executive




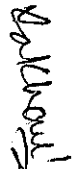
Director

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

Issued subscribed and paid up capital	Capital Reserve			Accumulated (loss) / income	Total
	Surplus on revaluation of investments	Revaluation surplus on intangible asset	Subtotal		
----- Rupees -----					
170,000,000	21,462,832	-	21,462,832	(78,715,672)	112,747,160
-	-	-	-	21,787,209	21,787,209
-	12,288,664	-	12,288,664	-	12,288,664
-	12,288,664	-	12,288,664	21,787,209	34,075,873
-	-	-	-	168,242	168,242
170,000,000	33,751,496	-	33,751,496	(56,760,221)	146,991,275
-	-	-	-	(18,061,146)	(18,061,146)
-	(9,505,506)	-	(9,505,506)	-	(9,505,506)
-	(9,505,506)	-	(9,505,506)	(18,061,146)	(27,566,652)
170,000,000	24,245,990	-	24,245,990	(74,821,367)	119,424,623

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


Chief Executive


Director

B & B SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(9,339,418)	2,953,838
Adjustments for non cash items:		
Depreciation	103,147	96,798
Financial charges	4,092,886	4,560,580
Unamortization of Directors loan	231,415	239,882
Unamortization of long term advances	186,607	653,969
Unrealized loss on re-measurement of investment	9,794,036	6,179,073
Capital gain on disposal of investment	(1,442,484)	(59,276,209)
Liabilities written back	(639,606)	-
Unwinding of advances	(653,969)	-
Impairment of TREC	-	2,500,000
Reversal of bad debts provision	(10,529,095)	-
Advances written off	973,848	-
Bad debts	-	56,720,055
	<u>2,116,785</u>	<u>11,674,148</u>
Operating (loss) / profit before working capital changes	(7,222,633)	14,627,986
(Increase)/Decrease in Current Assets		
Trade debts	(17,679,458)	(14,984,835)
Trade deposits, prepayments and other receivables	25,870,263	(25,689,673)
	<u>8,190,805</u>	<u>(40,674,508)</u>
(Decrease)/Increase in current liabilities		
Deferred income	(4,488,269)	4,488,269
Trade and other payables	(8,594,087)	7,999,232
	<u>(12,114,184)</u>	<u>(18,047,290)</u>
Taxes paid	(1,303,087)	(2,194,538)
Finance charges paid	(3,665,748)	(4,743,188)
	<u>(4,968,835)</u>	<u>(6,937,726)</u>
Net cash used in operating activities	(17,083,019)	(24,985,016)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(149,000)	(143,800)
Long term advances	(273,360)	-
Disposal of investments - net	(4,414,783)	43,957,733
Net cash used in / generated from investing activities	(4,837,143)	43,813,933

2017
Rupees

2017
Rupees

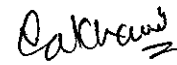
C. CASH FLOWS FROM FINANCING ACTIVITIES

Long term loan from directors-net	-	500,000
Short term borrowing	10,901,604	(8,686,114)
Net cash generated from / used in financing activities	10,901,604	(8,186,114)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(11,018,558)	10,642,803
Cash and cash equivalents at the beginning of the year	14,271,145	3,628,342
Cash and cash equivalents at the end of the year	3,252,587	14,271,145

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



Chief Executive



Director

B & B SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2018

1 NATURE AND STATUS OF BUSINESS

B & B Securities (Private) Limited was incorporated in Pakistan as a private company under the repealed Company Ordinance, 1984, on July 18, 2003, the company is a corporate member of Pakistan Stock Exchange. The company has commenced commercial activities from March 8, 2004 and is primarily engaged in trading and brokerage of listed equities. The registered office of the company is situated at 434, 4th Floor, Stock Exchange Building, Stock Exchange Road, Karachi, Pakistan.

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

Due to the applicability of Companies Act, 2017 certain disclosures of the financial have been presented in accordance with the fifth schedule notified by the Securities and Exchange Commission of Pakistan vide S.R.O. 1169 dated November 7, 2017.

The financial statements include disclosures requirements of the Securities Brokers (Licensing and Operations) Regulations, 2016 as notified by the Securities and Exchange Commission of Pakistan vide S.R.O. 569 (I) / 2016 dated June 24, 2016.

3 BASIS OF PRESENTATION

3.1 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 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.

Preparation of financial statements also include disclosure required by Securities Brokers (Licensing and Operations) Regulations, 2016.

3.2 Basis of Measurements

These financial statements have been prepared under Historical cost convention without any adjustments for the effects of inflation or current values except investments, which are stated as per the policy.

These financial statements have been prepared following accrual basis of accountings except for cash flows information.

3.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

3.4 Standards, Interpretations and amendments applicable to the financial statements

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below :

3.5 New standards, interpretations and amendments

The company has adopted the following accounting standards, interpretations and the amendments of IFRSs which became effective for the current year :

- IAS 7 – Statement of Cash flow - Disclosure Initiative - (Amendments).
- IAS 12 – Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments).

The adoption of the above amendments to accounting standards did not have any effect on the financial statements.

3.6 Standards, interpretations and improvements to approved accounting standards that are not yet effective

The following standards, amendments and improvements with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations :

<i>Standard or Interpretation</i>	<i>Effective date (annual periods beginning on or after)</i>
IFRS 2 – Share Based Payments - Classification and Measurement of Share Based Payment Transactions (Amendments).	01 January 2018
IFRS 9 – Financial Instruments.	01 July 2018
IFRS 9 – Payment Features With Negative Compensation - (Amendments).	01 January 2018
IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments).	Not yet finalized
IFRS 15 – Revenue from Contracts With Customers.	01 July 2018
IFRS 16 – Leases.	01 January 2019
IFRS 4 – Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments).	01 January 2018

*Effective date
(annual periods beginning on
or after)*

IAS 40 – Investment Property: Transfers of Investment Property (Amendments).	01 January 2018
IAS 19 – Plan Amendment, Curtailment or Settlement (Amendments).	01 January 2019
IAS 28 – Long - term interests in Associates and Joint Ventures - (Amendments).	01 January 2019
IFRIC 22 – Foreign Currency Transactions and Advance Consideration.	01 January 2018
IFRIC 23 – Uncertainty Over Income tax Treatments.	01 January 2019

The above standards and amendments are not expected to have any material impact on the company's financial statements in the period of initial application except for IFRS 15 - Revenue from Contracts with Customers. The company is currently evaluating the impact of the said standard.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual period beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

<i>Standard or Interpretation</i>	<i>Effective date (annual periods beginning on or after)</i>
IFRS 14 - Regulatory Deferral Accounts.	01 January 2016
IFRS 17 - Insurance Contracts.	01 January 2021

4 NEW / REVISED ACCOUNTING STANDARDS, AMENDMENTS TO PUBLISHED ACCOUNTING STANDARDS, AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements, other than increased disclosures in certain cases:

Standards or interpretation**(Effective for annual periods
beginning on or after)**

IFRS 2	Share-Based Payments- Classification And Measurement of Share based Transactions (Amendments)	January 01, 2018
IFRS 10	Consolidated Financial Statements, IAS 28 Investments in Associates and Joint Ventures-Sale or Contribution of Assets between an investor and its associates or Joint venture (Amendment)	Not yet Finalized
IAS 7	Financial instruments: Disclosures - Disclosure Initiative- (Amendment)	January 01, 2017
IAS 12	Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)	January 01, 2017
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance	January 01, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 22	Uncertainty over Income tax treatment	January 01, 2018

The Company expect that the adoption of the above standards and interpretation will not have any material impact on its financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standards**(Effective for annual periods
beginning on or after)**

IFRS	Financial Instruments- Classification and Measurement	January 01, 2018
IFRS	Regulatory Deferral Accounts	January 01, 2018
IFRS	Revenue from Contracts with Customers	January 01, 2018
IFRS	Leases	January 01, 2019
IFRS	Insurance Contracts	January 01, 2021

5 SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Property plant and equipment

These are stated at cost less accumulated depreciation except assets not in operation, which are stated at cost.

Depreciation is charged using reducing balance method by applying rates specified in the relevant note.

Full year depreciation is charged on the addition during the year whereas on assets deleted, no depreciation is charged in the year of disposal.

The assets' residual value and useful lives are reviewed, and adjusted if significant, at each balance sheet date.

Maintained and normal repairs are charged to Income as and when incurred while cost of major replacements and improvements, if any, are capitalized.

5.2 Impairments

The carrying amount of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairments. If such indication exist, the assets recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account. the recoverable amount is higher of the assets fair value less cost to sell and value in use.

5.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization except assets that are not available for its indefinite use, which are stated at cost. Amortization is charged using straight line method at the rates given in relevant notes to write-off the historical cost of assets over their estimated useful life. In the year of addition full year's amortization is charged.

5.3.1 Trading right entitlement certificate and Room

Initially it is stated at notional value by apportioning the value of previous Membership Card among TREC and PSX shares on the basis of proportion of designated values for margin purpose. Subsequent to initial recognition, TREC is valued at value taken for base minimum capital.

5.4 Investments

The Company's management determines the appropriate classification of its investments at the time of purchase.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "investments at fair value through profit and loss account".

Held to maturity

If any securities with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity and are measured at cost, less any impairment loss recognized to reflect irrecoverable amounts.

Fair value through profit or loss - Held for trading

These are securities which are either acquired for generating a profit from short term fluctuation in prices or are securities in a portfolio in which a pattern of short term profit taking exists.

Held for trading investments are measured at subsequent reporting dates at fair value. Unrealized gains and losses are included in the net profit and loss for the year.

Available for sale

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

After initial recognition, investments which are classified as available-for-sale-unquoted are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in equity until the investment is sold, derecognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income. Upon impairment, gain / (loss) including the gain / (loss) that had been previously recognized directly in equity, is included in the profit and loss account for the year. Fair value is determined and taken as book value of PSX as level III fair value.

5.5 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount which is equal to fair value, less an estimate made for doubtful debts and other receivables based on a review of all outstanding amounts at the year end. Bad debts and other receivables are written off when identified.

5.6 Borrowings

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on accrual basis. Borrowing costs are charged to profit and loss account in the period in which these are incurred, except when borrowing cost incurred to obtain the qualifying assets, which is capitalised as part of the cost of that asset.

5.7 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalent consists of cash in hand and balances with banks.

5.8 Cash and bank balances

Cash and bank balances are carried at nominal amount.

5.9 Taxation

Current

Provision for current taxation is the higher of the amount computed on taxable income at the current tax rate after taking into account credits / rebates, if any, and the minimum tax computed at the prescribed rate on turnover.

Deferred

Deferred tax is computed using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized.

5.10 Trade and other payables

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

5.11 Provisions

Provisions are recognized 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 amount can be made.

5.12 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to profit and loss account currently.

5.13 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has legally enforceable right to setoff the recognized amount and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.14 Revenue recognition

Brokerage income is recognized as and when services are provided.

Dividend income is recognized at the time of closure of share transfer books of the company declaring dividend. Commission income is recognized on receipt basis.

Capital gains and losses on sale of marketable securities are recorded on the date of sale.

5.15 Transactions with related parties

Transactions with related parties are carried out at arm's length prices.

5.16 Significant accounting judgments and critical accounting estimates / assumptions

The preparation of financial statements in conformity with approved accounting standards require the management to: -

- Exercise its judgment in process of applying the Company's accounting policies, and
- Use of certain critical accounting estimates and assumptions concerning the future.

The areas involving critical accounting estimates and significant assumptions concerning the future are discussed below:-

a) Income taxes

The Company takes into account relevant provisions of the prevailing income tax laws while providing for current and deferred taxes as explained in note 4.10 of these financial statements.

b) Property, plant and equipment

Management has made estimate of residual values, useful lives and recoverable amounts of certain items of property, plant and equipment. Any changes in these estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment loss.

c) Provision for doubtful debts

An estimated provision is made against those trade debts having no activity during the current financial year and is considered doubtful by the management where as debts considered bad and irrecoverable are written off when identified.

5 PROPERTY, PLANT AND EQUIPMENTS

	COST			Depreciation				
	As at July 01, 2017	Additions/ Deletions	As at June 30, 2018	Rate	As at July 01, 2017	For the year	As at June 30, 2018	Written down value as at June 30, 2018
	-----Rupees-----				-----Rupees-----			
Furniture and fixtures	268,015	-	268,015	10%	201,816	6,620	208,436	59,579
Office equipment	562,138	74,100	636,238	10%	329,741	30,650	360,391	275,847
Computer equipment	819,695	74,900	894,595	20%	700,510	38,817	739,327	155,268
Vehicles	1,575,072	-	1,575,072	20%	1,439,774	27,060	1,466,834	108,238
<i>Total Rupees-2018</i>	3,224,920	149,000	3,373,920		2,671,841	103,147	2,774,988	598,932

	COST			Depreciation				
	As at July 01, 2016	Additions/ Deletions	As at June 30, 2017	Rate	As at July 01, 2016	For the year	As at June 30, 2017	Written down value as at June 30, 2017
	-----Rupees-----				-----Rupees-----			
Furniture and fixtures	268,015	-	268,015	10%	194,460	7,356	201,816	66,199
Office equipment	463,138	99,000	562,138	10%	303,919	25,822	329,741	232,397
Computer equipment	774,895	44,800	819,695	20%	670,714	29,796	700,510	119,185
Vehicles	1,575,072	-	1,575,072	20%	1,405,950	33,824	1,439,774	135,298
Total Rupees-2017	3,081,120	143,800	3,224,920		2,575,043	96,798	2,671,841	553,079

			2018 Rupees	2017 Rupees
6	INTANGIBLE ASSETS			
	Trading Rights Entitlement Certificate	6.1	<u>2,500,000</u>	<u>2,500,000</u>

7 LONG TERM INVESTMENT

	2018 Number of Shares	2017 Number of Shares		2018 Rupees	2017 Rupees
	1,081,194	1,602,953	Investment in shares of Pakistan Stock Exchange Limited - available for sale	10,790,316	15,997,471
	-	-	Unrealized gain on remeasurement	7.1 <u>10,563,265</u>	<u>25,166,362</u>
	<u>1,081,194</u>	<u>1,602,953</u>		<u>21,353,581</u>	<u>41,163,833</u>

7.1 This represents shares of Pakistan Stock Exchange Limited (PSX) acquired in pursuance of corporatization and demutualization of PSX as a public company limited by shares. As per the arrangements the authorized and paid-up capital of PSX is Rs.10,000,000,000 and Rs.8,014,766,000 respectively with a par value of Rs. 10 each. The paid-up capital of PSX is equally distributed among 200 members of PSX by issuance of 4,007,383.

	Note	Number of shares
7.2 Break up of shares received and transacted is as follows :		
Shares transferred to Chinese consortium		1,602,953
Shares sold to general public	7.3	1,083,977
Shares in hand	7.4	<u>1,735,453</u>
		<u>4,422,383</u>

7.3 Shares sold to general public

Prior year	801,477
Current year	<u>282,500</u>
	<u>1,083,977</u>

7.4 Shares in hand

Long term investment - available for sale	7.5	1,081,194
Transferred to short term investment - available for sale when unfreezed		521,759
Net shares acquired during the year - Held for trading		<u>132,500</u>
		<u>1,735,453</u>

7.5 Currently these are not available for trading and are classified as long term investment - available for sale.

	2018 Rupees	2017 Rupees
8 LONG TERM DEPOSITS		
National Clearing Company of Pakistan Limited	500,000	500,000
Central Depository Company of Pakistan	<u>100,000</u>	<u>100,000</u>
	<u>600,000</u>	<u>600,000</u>

	Note	2018 Rupees	2017 Rupees
9 LONG TERM ADVANCES			
To employees - considered good		319,879	475,055
Add: unwinding of advances		653,969	-
		973,848	475,055
Add: advancement during the year	9.1	273,360	973,848
		1,247,208	1,448,903
Less: Write off		(973,848)	(475,055)
		273,360	973,848
Less: amortization of advances		(186,607)	(653,969)
		86,753	319,879

10 DEFERRED TAX ASSET / (LIABILITY)

Deferred taxation comprises differences relating to:

Credit balance arises due to:

Accelerated tax depreciation

(24,229) (9,780)

Debit balance arises due to:

Provision for doubtful debt

Minimum tax

Tax loss

16,293,607 20,681,323

- 965,144

17,290,729 1,923,335

33,584,336 23,569,802

Deferred tax not recognized

(17,314,958) -

16,269,378 23,688,019

10.1 Deferred tax asset recognised aggregating to Rs. 16.27m (2017 : Rs.23.69) million. The management of the Company believes that based on the projections of future taxable profits, it would be able to realise the deferred tax asset pertaining to provision for bad debts. These projections are however, subject to uncertainty.

	Note	2018 Rupees	2017 Rupees
11 SHORT TERM INVESTMENTS			

Investment at fair value through profit or loss - Held for trading

Listed equity securities

45,597,925 99,016,861

Unrealised gain on re - measurement of investment

(9,794,036) (59,276,209)

11.1 35,803,889 39,740,652

Investment at fair value through equity - Available for sale

Shares of PSX released during the year

5,207,155 -

Unrealized gain on remeasurement

5,097,585 -

10.2 10,304,740 -

46,108,629 39,740,652

11.1 Investments in companies - quoted

2018 Number of shares	2017		Note	2018 Rupees	2017 Rupees
-	2,000	Aisha Steel (R)		-	12,180
28,000	5,000	Aisha Steel Mills Limited		441,560	101,700
-	200	Akzo Nobel Pakistan Limited		-	48,000
-	500	Al-Ghazi Tractors Limited		-	321,940
2,500	2,500	Allied Bank Limited		257,875	224,050
500	500	Arif Habib Limited		30,500	40,205
28,500	-	AGP Limited		2,530,515	
600	4,900	Attock Refinery Limited		129,186	1,874,642
-	1,500	Chashma Sugar Mills Limited		-	89,175
3,500	500	D.G. Khan Cement Company Limited		400,715	106,580
500	500	D.M. Textile Mills Limited		22,750	34,670
-	56,500	Dewan Cement Limited		-	1,140,170
520,000	50,000	Dewan Salman Fibre Limited	11.3	-	203,500
17,000	105,140	Dost Steels Limited		134,470	1,158,643
-	2,500	Engro Corporation Limited		-	814,775
-	10,000	Engro Fertilizers Limited		-	552,400
3,000	-	Engro Polymer and Chemical Limited		94,080	-
65,000	-	Fauji Cement Company Limited		1,485,250	-
1,500	-	Fauji Fertilizer Company Limited		148,335	-
1,205	1,205	First Capital Securities Corporation L		2,892	4,675
1,500	-	Ferozsons Laboratories Limited		292,095	-
30,000	125,000	Ghani Automobile Industries Limited		208,200	1,458,750
-	5,000	Ghani Global Glass Limited		-	99,950
-	1,100	GlaxoSmithKline Consumer Healthcare		-	
-	-	Pakistan Limited		-	229,911
-	1,500	GlaxoSmithKline Pakistan Limited		-	295,380
40,000	-	Haji Mohammad Ismail Mills Ltd -	11.3	-	-
100	100	Habib Bank Limited		16,644	26,914
76,400	41,400	Hi-Tech Lubricants Limited		7,740,848	4,513,014
9,300	1,200	Hascol Petroleum Limited		2,917,968	409,320
100	-	Honda Atlas Cars (Pakistan) Limited		31,639	-
-	4,000	International Steels Limited		-	511,560
2,930	180,930	Jahangir Siddiqui Company Limited		53,297	4,130,632
-	5,000	Japan Power Generation Limited		-	21,600
1,200	1,200	Js Bank Limited		10,008	11,508
70	70	Js Global Capital Limited		2,793	4,892
1,200	1,200	Js Investments Limited		11,172	16,320
235,000	340,000	K-Electric Limited		1,334,800	2,346,000
-	39	Kohat Cement Company Limited		-	8,941
16,050	31,950	Loads Limited		500,439	1,324,967
-	35,000	Lotte Chemical Pakistan Limited		-	344,750
500	500	Lucky Cement Limited		253,965	418,130
50	50	Metropolitan Steel Co. Ltd. -Freeze		1,222	-
3	3	Innovative Investment Bank		-	-
-	-	Limited - Freeze	11.3	-	-
100	-	National Refinery Limited		44,301	-
227	227	Nimir Industrial Chemicals Limited		15,552	12,026
1,500	-	Nishat Mills Limited		211,380	-
-	2,000	Oil & Gas Development Company Ltd.		-	281,380
-	28,500	Pace (Pakistan) Limited		-	198,360
c/f.				19,324,451	23,391,611

2018	2017		Note	2018 Rupees	2017 Rupees
Number of shares					
			b/f.	19,324,451	23,391,611
-	500	Pakistan Oilfields Limited		-	229,075
45	45	Pakistan Petroleum Limited		9,671	6,666
249	249	Pakistan Stock Market Fund-Freeze		24,258	-
132,500	-	Pakistan Stock Exchange		2,616,875	-
211,500	275,000	Pakistan International Bulk Terminal		2,400,525	6,369,000
19,500	42,000	Pakistan Refinery Limited		676,845	2,236,920
67,000	-	Pak Elektron Limited		2,375,820	-
-	65,400	Power Cement Limited		-	875,052
-	231,733	Power Cement(R)		-	13,904
201,835	50,500	Roshan Packages Limited		5,685,692	2,836,585
-	2,000	Shifa International Hospitals Limited		-	660,000
10,000	20,000	Siddiqsons Tin Plate Limited		152,200	546,600
20,000	-	Safe Mix Concrete Limited		210,000	-
35,598	598	SILKBANK Limited		48,413	1,005
3,500	20,000	Sui Northern Gas Pipelines Limited		350,770	728,200
175,057	25,001	SUMMIT Bank Limited		376,373	103,004
500	-	Thal Limited		238,765	-
600	-	The General Tyre & Rubber Company		99,720	-
2,000	2,000	The Hub Power Company Limited		184,320	234,860
1,000	2,750	The Searle Company Limited		399,500	1,407,945
3,500	-	Tri-Pack Films Limited		479,500	-
-	2,500	Trg Pakistan Limited		-	100,225
5,000	-	Unity Foods Limited		146,400	-
237	-	Zahidjee Textile Mills Limited		3,792	-
				<u>35,803,889</u>	<u>39,740,652</u>

11.2 Available for sale - shares of Pakistan Stock Exchange Limited

30 June 2018	30 June 2017		2018 Rupees	2017 Rupees
Number of Shares				
521,759	-		10,304,740	-

11.3 Investment in Dewan Salman Fibre Limited - Freeze, Haji Mohammad Ismail Mills Ltd and Innovative investment Bank Limited-Freeze are frozen and no market value of shares are available, therefore they are appearing at nil value.

	Note	2018 Rupees	2017 Rupees
12 TRADE DEBTS			
Unsecured-Considered good			
Due from clients	12.1	86,183,626	57,975,072
		<u>86,183,626</u>	<u>57,975,072</u>
Unsecured - Considered doubtful	12.2	56,184,852	66,713,947
Less: Provision for doubtful debts		(56,184,852)	(66,713,947)
		-	-
		<u>86,183,626</u>	<u>57,975,072</u>

12.1 This amount includes 18,462,309 (2017 Rs. 17,851,091) pertaining to related party of the company.

12.2 The Movements of the provision for the doubtful debts is as follows:

	Note	2018 Rupees	2017 Rupees
Opening balance		66,713,947	20,932,494
Provision made during the year	12.3	-	56,245,001
Reversal due to adjusting event		(10,529,095)	(10,463,548)
Closing balance		<u>56,184,852</u>	<u>66,713,947</u>

12.3 During the year no provision has been made against client balance overdue for more than 5 days as section number 34(h) has been omitted from security brokers(licensing and operations) Regulations 2016.

	Note	2018 Rupees	2017 Rupees
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13 TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Trade deposits			
National Clearing Company Limited		13,084	13,083
Prepayments			
Prepaid insurance		250,236	474,762
Other Receivables			
Receivable against PSX Shares		-	16,483,462
Other receivables		-	9,162,276
		<u>263,320</u>	<u>26,133,583</u>

14 TAXATION - NET

Opening balance	975,773	1,983,240
Add: Tax paid during the year	1,303,087	2,194,538
Less: Provision for taxation	(1,303,087)	(1,259,592)
Less: Prior year adjustment	-	(1,942,413)
Closing balance	<u>975,773</u>	<u>975,773</u>

15 CASH AND BANK BALANCES

Cash in hand		1,156	1,792
Cash at bank in current accounts		3,183,066	4,191,740
Cash at bank in deposits accounts	15.1	68,365	10,077,613
		<u>3,251,431</u>	<u>14,269,353</u>
		<u>3,252,587</u>	<u>14,271,145</u>
Balance pertaining to:			
- clients		3,126,995	4,152,369
- brokerage house		124,436	10,116,984
		<u>3,251,431</u>	<u>14,269,353</u>

15.1 The balances in deposits accounts carry markup at the ranging from 2% to 3.25% (2017 : 2% to 3.25%).

	<i>Note</i>	<i>2018 Rupees</i>	<i>2017 Rupees</i>
16 LONG TERM LOAN			
Unsecured			
Directors and sponsors	16.1	4,310,848	3,810,848
Add: Received during the year		-	500,000
Less: Amortization of Loan		(994,461)	(994,461)
Unwinding of director loan		231,415	-
		<u>3,547,802</u>	<u>3,316,387</u>

16.1 These represent interest free loans and are not repayable within next twelve months and are amortized over a period of five years at 3 Month KIBOR + 2.5% at June 30, 2018.

	<i>Note</i>	<i>2018 Rupees</i>	<i>2017 Rupees</i>
17 SHORT TERM BORROWINGS			
Secured-from banking companies			
Murabaha finances facility-Dubai Islamic Bank Limited	17.1	22,099,734	19,969,172
Murabaha finances facility- Bank Islami Limited	17.2	26,072,525	17,301,483
		<u>48,172,259</u>	<u>37,270,655</u>

17.1 The facility is secured against pledge of listed securities held by the member and personal guarantee of all the Directors along with their personal net worth statements covering facility amount plus markup. The facility carries markup at the rate of 3 months KIBOR + 2.5% (2017 : KIBOR + 2.5%). Total aggregate sanctioned limit is Rs.30 million (2017 : 30 million) and unavailed facility is Rs.7.90 million (2017 : Rs.10.03 million).

17.2 The facility is secured against pledge of listed securities held by the member and personal guarantee of all the Directors along with their personal net worth statements covering facility amount plus markup. The facility carries markup at the rate of 3 months KIBOR + 2% (2017 : 3 months Kibor + 2%). Total aggregate sanctioned limit is Rs.30 million (2017 : Rs.30 million) and unavailed facility is Rs.3.93 million (2017 : Rs.12.7 million).

	<i>2018 Rupees</i>	<i>2017 Rupees</i>
18 TRADE AND OTHER PAYABLES		
Due to clients	3,121,549	4,152,368
Payable to National Clearing Company Limited	1,680,184	9,182,180
Accrued expenses	1,342,326	2,025,477
With holding tax payable	1,224	18,951
	<u>6,145,283</u>	<u>15,378,976</u>

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

During the year SRB registration of the company has been suspended, as per legal advisor such suspension will be revoked subject to submission of return and payment of sales tax along with penalty.

19.2 Commitments

There was no commitment as at balance sheet date.

	<i>Note</i>	<i>2018 Rupees</i>	<i>2017 Rupees</i>
20 BROKERAGE INCOME			
Gross commission		6,146,570	13,549,506
Federal excise duty		(542,272)	(1,199,092)
		<u>5,604,298</u>	<u>12,350,414</u>
Commission to dealers & agents		(229,368)	(718,382)
	20.1	<u>5,374,930</u>	<u>11,632,032</u>

20.1 Brokerage commission pertains to

Retail customers	<u>5,374,930</u>	<u>11,632,032</u>
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21 ADMINISTRATIVE AND OPERATING EXPENSES

Salaries, allowances and other benefits		5,158,060	2,583,810
Director remuneration		2,723,656	700,000
Service and transaction charges		723,620	2,042,774
Travelling and Conveyance		2,051,233	-
Postage, telephone and telegraph		234,980	202,210
Repair and maintenance		212,190	177,119
Utilities		283,033	950,520
Printing and stationery		66,035	66,594
Fee and subscription		513,320	-
Legal and professional charges		398,400	311,674
Audit fees	21.1	461,400	309,200
Insurance expenses		918,526	1,024,065
Entertainment		185,695	177,244
Charity and donations		214,518	594,589
Penalty		6,000	-
Depreciation	5	103,147	96,798
Miscellaneous		239,416	278,249
Advances Written-Off		973,848	-
		<u>15,467,077</u>	<u>9,514,846</u>

21.1 Audit fees

Statutory audit			
Reanda Haroon Zakaria and Co		225,720	205,200
System audit			
Naveed Zafar Ashfaq Jaffery and Co		50,000	50,000
Certifications			
Net capital balance		29,700	27,000
Liquid Capital		29,700	27,000
Assets Segregation Certificate		25,000	-
Certificate of Internal Control System		25,000	-
		<u>461,400</u>	<u>309,200</u>

2018
Rupees

2017
Rupees

22 FINANCIAL CHARGES

Amortization of advances	186,607	653,969
Short term borrowing - Running Finance	-	395,078
Short term borrowing - Murabaha Facility	3,877,451	3,267,593
Unamortization of Directors loan	231,415	239,882
Bank charges	215,435	243,940
	<u>4,510,908</u>	<u>4,800,462</u>

23 OTHER OPERATING INCOME

Income from financial assets

Profit On Retention Money	220,084	-
Interest income	3,599	4,676
Other income	18,887	63,650
	<u>242,570</u>	<u>68,326</u>

Income from non-financial assets

Reversal of provision	10,529,095	10,463,548
Liabilities Written-off	639,606	-
Unwinding of advances	653,969	-
	<u>11,822,670</u>	<u>10,463,548</u>
	<u>12,065,240</u>	<u>10,531,874</u>

24 REMUNERATION OF CHIEF EXECUTIVE

	2018		2017	
	Directors	Chief Executive	Directors	Chief Executive
	----- Rupees -----			
Remuneration	<u>810,000</u>	<u>1,500,000</u>	-	700,000
Others	<u>-</u>	<u>413,656</u>	-	-
Number of person(s)	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

24.1 In addition to the above the Chief Executive is also provided with free use of company maintained vehicle.

	2018	2017
	Rupees	Rupees

25 FINANCIAL INSTRUMENTS BY CATEGORY

FINANCIAL ASSETS

Investment-available for sale

Long term investment	21,353,581	41,163,833
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Investment held for trading

Short term investments	46,108,629	39,740,652
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Loans and receivables

Long term advances	86,753	319,879
Long term deposits	600,000	600,000
Trade debts	86,183,626	57,975,073
Trade deposits	13,084	13,083
Taxation - net	975,773	975,773
Cash and bank balances	3,252,587	14,271,145

	91,111,823	74,154,953
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	158,574,033	155,059,438
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FINANCIAL LIABILITIES

Financial liabilities - at amortized cost

Long-term loans	3,547,802	3,316,387
Short term borrowings	48,172,259	37,270,655
Accrued markup	902,612	475,474
Trade and other payables	6,145,283	15,378,976

	58,767,956	56,441,492
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26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

26.1 Risk Management Policies

The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and price risk) arising from the financial instruments it holds.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

26.2 Credit risk

Credit risk arises when changes in economic or industry factors similarly affects Company's of counter parties whose aggregate credit exposure is significant in relation the Company's total credit exposure. Credit risk of the Company arises principally from the trade debts, loans and advances, trade deposits, other receivables and cash and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows: -

	2018 Rupees	2017 Rupees
Long term investment	21,353,581	41,163,833
Short term investments	46,108,629	39,740,652
Long term advances	86,753	319,879
Long term deposits	600,000	600,000
Trade debts	86,183,626	57,975,073
Trade deposits	13,084	13,083
Taxation - net	975,773	975,773
Bank balances	3,252,587	14,271,145
	<u>158,574,033</u>	<u>155,059,438</u>

The ageing of trade receivables at the reporting date is:

Past due 1-365 days	77,912,602	77,746,045
Past due over 365 days	64,455,876	46,942,974
	<u>142,368,478</u>	<u>124,689,019</u>

The ageing has been prepared on first in first out basis by applying receipts to earliest invoices.

All the trade debtors at balances sheet date are domestic parties and management expects that overdue receivables will be recovered soon and provision of Rs.56.184 million is sufficient in respect of doubtful

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors.

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis.

Concentration of credit risk

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 abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

26.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting 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 stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any.

	2018			
	Carrying	Contractual	Less than one	More than one
	Amount	Cash Flows	year	year
	-----Rupees-----			
Financial Liabilities				
Long term loans	3,547,802	(4,310,848)	-	(4,310,848)
Short term borrowings	48,172,259	(48,172,259)	(48,172,259)	-
Accrued markup	902,612	(902,612)	(902,612)	-
Trade and other payables	6,145,283	(6,145,283)	(6,145,283)	-
	58,767,956	(59,531,002)	(55,220,154)	(4,310,848)

	2017			
	Carrying	Contractual	Less than one	More than one
	Amount	Cash Flows	year	year
	-----Rupees-----			
Financial Liabilities				
Long term loans	3,316,387	(4,310,848)	-	(4,310,848)
Short term borrowings	37,270,655	(37,270,655)	(37,270,655)	-
Accrued markup	475,474	(475,474)	(475,474)	-
Trade and other payables	15,378,976	(15,378,976)	(15,378,976)	-
	56,441,492	(57,435,953)	(53,125,105)	(4,310,848)

26.4 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

a) Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company believes that it is not exposed to any significant level of currency risk.

b) 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 changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short term borrowings. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments is:

	2018	2017	2018	2017
	Effective Rate		Carrying amount	
	(In percent)		Rupees	Rupees
Financial liabilities				
Variable rate instrument				
Short term borrowings	3M KIBOR +2% to 3M KIBOR 2.5%	3M KIBOR +2% to 3M KIBOR 2.5%	48,172,259	37,270,655
			48,172,259	37,270,655

Cash flow sensitivity analysis for variable rate instruments

A Change of 100 basis points in interest rates at the reporting date would have increased / (decreased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	Profit and loss	
	100 bp Increase	100 bp Decrease
As at June 30, 2018		
Cash flow sensitivity - variable rate financial liabilities	<u>481,723</u>	<u>(481,723)</u>
As at June 30, 2017		
Cash flow sensitivity - variable rate financial liabilities	<u>372,707</u>	<u>(372,707)</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss)/profit for the year and assets/liabilities of the Company.

c) Price Risk

Price risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to 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 instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

- Sensitivity analysis

At reporting date, if the market prices of each security held by the Company as short term investment had increased / decreased by Rupee 1 with all other variables remain constant, pre tax profit would have been higher / lower by the amount shown below.

	2018 Rupees	2017 Rupees
Effect on profit		
Increase / Decrease	<u>1,419,671</u>	<u>1,792,322</u>

27 TRANSACTIONS WITH RELATED PARTIES

Related parties comprises associated companies, directors, key management personnel of member companies and various other related parties that has an interest in the Company that gives it significant influence over the Company. Details of transactions and balances with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Relation with the Company	Nature of Transaction	2018 Rupees	2017 Rupees
Directors / Sponsors	Brokerage commission on transaction	307,628	557,824

Year end balances are mentioned in relevant notes.

The above transactions are at arm's length basis on commercial terms and conditions.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

Capital risk management

The Company monitors capital using a gearing ratio, which is net debt divided by total capital which is the sum of equity and net debt. Equity comprises of share capital, capital and revenue reserves. Net debt is arrived at by deducting cash and bank balances from borrowings. During the year, the Company's strategy was to maintain leveraged gearing. The gearing ratios worked out as follows: -

	2018 Rupees	2017 Rupees
Total borrowings	51,720,061	40,587,042
Cash and bank balances	(3,252,587)	(14,271,145)
Net debt	48,467,474	26,315,897
Total equity	119,424,623	146,991,275
Total capital	167,892,097	173,307,172
Gearing ratio	28.87%	15.18%

28. CAPITAL ADEQUACY LEVEL

The capital adequacy level of the company is as follows:

Total assets	178,192,579	207,921,036
Less: Total liabilities	(58,767,956)	(60,929,761)
Less: Revaluation reserves (created upon revaluation of fixed assets)	-	-
Capital adequacy level	119,424,623	146,991,275

28.1 While determining the value of total assets of TREC holder, notional value of TRE certificate held by B & B Securities (Private) Limited as at year ended June 30, 2018 as determined by the Pakistan Stock Exchange Limited - PSX has been considered.

29. NUMBER OF EMPLOYEES

The number of employees as at year end was 10 (2017 : 10) and average number of employees were 10 (2017 : 10).

30. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on _____ by the Board of Directors of the

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Amount have been rounded off to the nearest rupees.



Chief Executive



Director