

BRAINS SECURITIES (PVT) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **BRAINS SECURITIES (PVT) LIMITED**, which comprise the statement of financial position as at June 30, 2018, and the profit or loss and statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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

Basis for Opinion

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

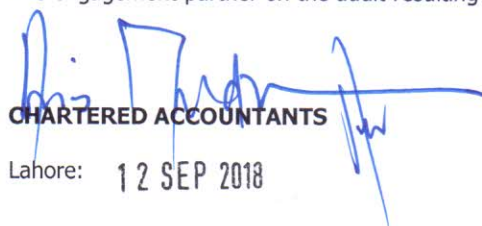
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

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

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



CHARTERED ACCOUNTANTS
Lahore: 12 SEP 2018

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

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

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


CHIEF EXECUTIVE


DIRECTOR

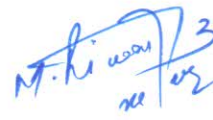
**BRAINS SECURITIES (PVT) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018**

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

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



CHIEF EXECUTIVE



DIRECTOR

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

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

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



CHIEF EXECUTIVE



DIRECTOR

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

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

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


CHIEF EXECUTIVE


DIRECTOR

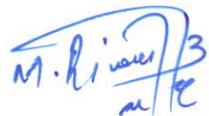
BRAINS SECURITIES (PVT) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Paid up capital	Accumulated loss	Fair value adjustment reserve	Share deposit money	Long term loan	Total
	----- (R u p e e s) -----					
Balance as at June 30, 2016	10,000,000	(1,120,257)	8,227,940	4,019,253	-	21,126,936
Loss after taxation	-	(158,194)	-	-	-	(158,194)
Other comprehensive income	-	-	1,096,778	-	-	1,096,778
Total comprehensive income for the year	-	(158,194)	1,096,778	-	-	938,584
Share deposit money	-	-	-	8,480,747	-	8,480,747
Long term loan	-	-	-	-	1,183,000	1,183,000
Balance as at June 30, 2017	10,000,000	(1,278,451)	9,324,718	12,500,000	1,183,000	31,729,267
Loss after taxation	-	(15,227,260)	-	-	-	(15,227,260)
Other comprehensive loss	-	-	(2,588,831)	-	-	(2,588,831)
Total comprehensive loss for the year	-	(15,227,260)	(2,588,831)	-	-	(17,816,091)
Share capital issued	25,000,000	-	-	-	-	25,000,000
Share deposit money	-	-	-	(12,500,000)	-	(12,500,000)
Balance as at June 30, 2018	35,000,000	(16,505,711)	6,735,887	-	1,183,000	26,413,176

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



CHIEF EXECUTIVE



DIRECTOR

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

1 COMPANY AND ITS OPERATION

- 1.1 The company was incorporated as Private Limited Company on July 24, 2015 under the repealed Companies Ordinance, 1984. The company is engaged in the business of share brokerage and investment in securities. The registered office of the Company is situated at Room no. 613, 6th Floor, Stock Exchange Building, Lahore.

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

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

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

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

2.2 ACCOUNTING CONVENTION

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

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

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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



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

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

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

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


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

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

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

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

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



4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation.

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

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

4.2 INTANGIBLE ASSETS

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

4.2.1 Membership card and offices

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

4.2.2 Computer Software

Expenditure incurred to acquire identifiable computer software and having probable economic benefits exceeding the cost beyond one year, is recognized as an intangible asset. Such expenditure includes the purchase cost of software (license fee) and related overhead cost.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.


Costs which enhance or extend the performance of computer software beyond its original specification and useful life is recognized as capital improvement and added to the original cost of the software.

Computer software and license costs are stated at cost less accumulated amortization and any identified impairment loss and amortized through reducing balance method using the rate specified in note 7.2 to the account.

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

4.3 FINANCIAL ASSETS

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



4.3.1 Held to Maturity

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

4.3.2 At fair value through profit and loss

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

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

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

4.3.3 Available-for-sale

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

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

4.3.4 Loans and Receivables

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

4.4 FINANCIAL LIABILITIES

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

4.5 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

4.6 TRADE DEBTS AND OTHER RECEIVABLES

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

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

4.7 CASH AND CASH EQUIVALENTS

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

4.8 SHARE CAPITAL

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

4.9 BORROWINGS

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

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

4.10 TAXATION

Current

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

Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognized for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset

may be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to comprehensive income or equity, in which case it is included in comprehensive income or equity.

4.11 TRADE AND OTHER PAYABLES

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

4.12 PROVISIONS

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

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

4.13 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

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

4.14 IMPAIRMENT

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

4.15 REVENUE RECOGNITION

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



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

4.16 BASIC AND DILUTED EARNINGS PER SHARE

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

4.17 RELATED PARTY TRANSACTIONS

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

4.18 TRADE DATE ACCOUNTING

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

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

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

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

6 PROPERTY AND EQUIPMENT

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

6.1 PROPERTY AND EQUIPMENT

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

-----Rupees-----

-----Rupees-----

OWNED

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

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

7.1 It represents Trading Right Entitlement Certificate (TREC) received from the Pakistan Stock Exchange Limited without any additional payment, in lieu of TREC issued by the Lahore Stock Exchange Limited, surrendered on, January 10, 2016 on the consequence of Scheme(s) of Integration approved by the Securities and Exchange Commission of Pakistan vide Order No. 01/2016 dated January 11, 2016 under regulation 6 (8) of the Stock Exchange (Corporatization, Demutualization and Integration) Regulations, 2012. The Trading Right entitlement certificate is pledged/mortgaged with the Pakistan Stock Exchange Limited as a collateral for running the brokerage business and to meet partly, the Base Minimum Capital Requirement.

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

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

8 LONG TERM INVESTMENT

Unquoted - Shares of LSE Financial Services Limited:
Available for sale investment

Cost as at July 01,		1,310,267	1,310,267
Fair value adjustment		6,735,887	9,324,718
	8.1	<u>8,046,154</u>	<u>10,634,985</u>

- 8.1 Pursuant to the promulgation of the Stock Exchanges (Corporation, Demutualization and Integration) Act, 2012 (The Act), The Lahore Sock Exchange Limited, now LSE Financial Services Limited had allotted 781,180 shares of the face value of Rs. 10 each to the TREC holder. All shares are held in freeze status in the respective CDC sub-account of the TREC holder. The divestment of the same will be made in accordance with the requirements of the Act within one year from the date of Scheme(s) of Integration approved by the Securities and Exchange Commission of Pakistan vide Order No. 01/2016 dated January 11, 2016 under regulation 6 (8) of the Stock Exchange (Corporatization, Demutualization and Integration) Regulations, 2012. The Company has pledged 781,180 shares of LSE Financial Services Limited with the Pakistan Stock Exchange to fulfill the Base Minimum Capital requirement.

The Company, as per its policy, carried out the valuation of the aforementioned investments. In this connection, the valuation technique used by the Company was Discounted Free Cash Flow to Equity model for business valuation. Assumptions and inputs used in the valuation technique mainly include risk-free rate, equity risk premium, long term growth rate and projected rates of increase in revenues, other income and expenses. Principal assumptions used in the valuation of above unquoted investments are 8% (2017: 7%) and 12.23% (2017: 12.91%) in respect of long term growth rate and cost of equity. Projection period of 5 years has been assumed.

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

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

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

10.1 Receivable from related parties comprises of the following:

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

10.2 Movement is as follows

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

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

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

11 INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

Investment - listed companies

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

