

IQBAL USMAN KODVAVI (PRIVATE) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018



BAKER TILLY
MEHMOOD IDREES
QAMAR
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF IQBAL USMAN KODVAVI SECURITIES (PRIVATE) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the cash flow statement 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.

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Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 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 statement of comprehensive income, the statement of changes in equity and the cash flow statement 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; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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e) the Company was in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the statement of financial position was prepared.

The engagement partner on the audit resulting in this independent auditor's report is **Mehmood A. Razzak**.

Karachi


Date: 22 OCT 2018

IQBAL USMAN KODVAVI SECURITIES (PRIVATE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2018

EQUITY AND LIABILITIES	Note	2018 Rupees	2017 Rupees
SHARE CAPITAL AND RESERVE			
Authorized Share Capital		<u>40,000,000</u>	<u>40,000,000</u>
4,000,000 Ordinary shares of Rs. 10/- each			
Issued, Subscribed and Paid-up Share Capital			
4,000,000 (2017: 4,000,000) Ordinary shares of Rs. 10/- each	3	40,000,000	40,000,000
Unappropriated profit		71,879,898	81,421,406
		111,879,898	121,421,406
Non - Current Liabilities			
Loan from director		-	20,000,000
Current Liabilities			
Trade creditors		135,861,431	113,538,660
Accrued and other liabilities	4	446,260	359,800
		<u>248,187,589</u>	<u>255,319,866</u>
ASSETS			
Non - Current Assets			
Property, plant and equipment	5	15,679,026	13,596,839
Intangible	6	2,500,000	5,000,000
Long term investment	7	3,935,409	5,834,612
Long term deposits	8	1,500,000	2,878,589
		23,614,435	27,310,040
Current Assets			
Trade debts - unsecured, considered good	9	3,045,511	7,607,556
Taxation - net		12,125,777	12,010,390
Advances and deposits	10	10,688,785	12,651,065
Short term investments	11	38,858,579	28,595,568
Cash and bank balances	12	159,854,502	167,145,247
		224,573,154	228,009,826
		<u>248,187,589</u>	<u>255,319,866</u>

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





Chief Executive Officer



Director

IQBAL USMAN KODVAVI SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Commission income		20,252,898	43,266,113
Operating expenses	13	(27,348,434)	(33,763,976)
Operating (loss) / profit		(7,095,536)	9,502,137
Financial and other charges	14	(81,226)	(210,308)
Other income	15	2,374,035	57,651,871
(Loss) / profit before taxation		(4,802,727)	66,943,700
Taxation	16	(4,738,781)	(3,454,382)
(Loss) / profit after taxation		(9,541,508)	63,489,318
Other comprehensive income		-	-
Total comprehensive (loss) / income		(9,541,508)	63,489,318
(Loss) / earnings per share	17	(2.39)	15.87

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

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 Chief Executive Officer

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 Director

IQBAL USMAN KODVAVI SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Issued, Subscribed and Paid-up Share Capital	Unappropriated Profit	Total
	----- Rupees -----		
Balance as at July 01, 2016	40,000,000	17,932,088	57,932,088
Profit for the year ended June 30, 2017	-	63,489,318	63,489,318
Balance as at June 30, 2017	40,000,000	81,421,406	121,421,406
(Loss) for the year ended June 30, 2018	-	(9,541,508)	(9,541,508)
Balance as at June 30, 2018	40,000,000	71,879,898	111,879,898

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

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 Chief Executive Officer

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 Director

IQBAL USMAN KODVAVI SECURITIES (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
Note	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(4,802,727)	66,943,700
Adjustments for non-cash items and other charges :		
Depreciation	2,706,123	1,897,804
Impairment loss	2,500,000	400,000
(Gain) on sale of property, plant and equipment	(353,870)	(121,022)
Operating profit before working capital changes	49,526	69,120,482
(Increase) / decrease in current assets		
Trade debts	4,562,045	4,915,046
Advances and deposits	1,962,280	(10,269,160)
Investment	(10,263,011)	(28,595,568)
	(3,738,686)	(33,949,682)
(Decrease) / increase in current liabilities		
Trade creditors	22,322,771	35,244,587
Accrued and other liabilities	86,460	(322,887)
Taxes paid	(4,854,168)	(7,301,972)
Net cash inflow from operating activities	13,865,904	62,790,529
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(4,884,440)	(8,044,551)
Proceeds from sale of property, plant and equipment	450,000	350,000
Long term investment	1,899,203	8,765,389
Long term deposits	1,378,589	(1,547,295)
Net cash (used in) investing activities	(1,156,649)	(476,458)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from director	(20,000,000)	10,000,000
Net cash (used in) / inflow from financing activities	(20,000,000)	10,000,000
Net (decrease) / increase in cash and cash equivalents	(7,290,745)	72,314,070
Cash and cash equivalents at beginning of the year	167,145,247	94,831,177
Cash and cash equivalents at end of the year	12 159,854,502	167,145,247

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

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Chief Executive Officer


Director

2.4 Changes in accounting standards and interpretations

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 including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant management estimates in these financial statements relate to the determination and measurement of the useful life of tangible and intangible assets, impairment of debtors and taxation.

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

'IAS 7, 'Statement of Cash Flows' amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. In the first year of adoption, comparative information need not be provided.

The change may impact the disclosures of the Company's annual financial statements.

Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2017, but are considered not to be relevant or have any significant effect on the Company's reporting and are therefore, not disclosed in these financial statements.

Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after July 1, 2018, that might not have an impact on the financial statements of the Company.

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers'- IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

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IQBAL USMAN KODVAVI SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. NATURE OF BUSINESS AND OPERATIONS

1.1 Iqbal Usman Kodvavi Securities (Private) Limited (the Company) was incorporated in Pakistan as a private limited company vide incorporation no. 0042586, dated February 21, 2001 under the Companies Ordinance, 1984 which is then repealed by Companies Act, 2017. The registered office of the Company is situated at Room No. 521-522, 5th Floor, Stock Exchange Building, Stock Exchange Road, Karachi. The Company is a Trading Right Entitlement (TRE) Certificate Holder of the Pakistan Stock Exchange Limited. The principal activities of the Company is to carry on the business of stock, brokerage, underwriting and investment etc.

1.2 The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

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

The preparation of these financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The estimates / judgments and associated assumptions used in the preparation are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates / judgments / assumptions will, by definition, seldom equal the related actual results. The estimates / judgments and associated assumptions are reviewed on an ongoing basis.

2.2 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 such International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 (the Act), provisions of and directives issued under the Companies Act, 2017, relevant requirements of Securities Brokers (Licensing and Operations) Regulations 2016 and section 78 of securities Act, 2015. Where provisions of and directives issued under the Companies Act, 2017, relevant requirements of Securities Brokers (Licensing and Operations) Regulations 2016 and section 78 of securities Act, 2015 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, relevant requirements of Securities Brokers (Licensing and Operations) Regulations 2016 and section 78 of securities Act, 2015 shall prevail.

2.3 Significant events affecting financial position of the company

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 decrease in brokerage income.

The brokerage income is now covered under Final Tax Regime @ 0.02% of value of securities traded.

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2.5 Property, Plant and Equipment

Owned

These are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to profit and loss account as and when incurred.

Depreciation is charged to income applying the reducing balance method whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month in which the asset is put to use and on disposals upto the month the asset is in use.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the profit and loss account.

2.6 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, in accordance with the provisions of the Income Tax Ordinance, 2001.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively 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 equity in which case it is included in equity.

2.7 Trade and other Debts

Trade and other debts are carried at original invoice amount. Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery.

2.8 Trade and Other Payables

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

2.9 Provisions

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

2.10 Cash and Cash Equivalents

Cash and cash equivalents comprises cash balances and bank deposits. Cash and cash equivalents are carried in the balance sheet at cost.

2.11 Revenue Recognition

Sales and purchases of securities are recognized on the date of contract. Capital gain or loss on sale of marketable securities is taken to income in the period in which it arises.

Brokerage and other income is accrued as and when due.

2.12 Investments

Investment at fair value through profit or loss

Investment classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. At subsequent dates these investment are measured at fair value with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investment is determined on the basis of prevailing market prices.

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.

2.13 Financial Instruments

All the financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instruments. All the financial assets are derecognized at the time when the company loses control of the contractual right that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to profit and loss account, currently.

2.14 Foreign Currencies

Transactions in foreign currencies are accounted for in Pakistan Rupees at the rates prevailing on the date of the transaction. Assets and liabilities in foreign currencies as at the balance sheet date are translated into Pak rupees at the rate of exchange prevailing on that date except for the liabilities covered under forward exchange contracts which are translated at the contracted rates. Exchanges gains or losses are included in income currently.

2.15 Impairment

The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any assets or group assets. If any such indication exists, the recoverable amount of such asset is estimated and impairment loss is recognized in the profit and loss account.



3. SHARE CAPITAL

		2018	2017
		Rupees	Rupees
Authorized Share Capital			
Number of Shares			
<u>2018</u>	<u>2017</u>		
<u>4,000,000</u>	<u>4,000,000</u>	Ordinary shares of Rs.10/- each	
		<u>40,000,000</u>	<u>40,000,000</u>

Issued, Subscribed and Paid-up Share Capital

		2018	2017
		Rupees	Rupees
Number of Shares			
<u>2018</u>	<u>2017</u>		
<u>4,000,000</u>	<u>4,000,000</u>	Ordinary shares of Rs.10/- each fully paid in cash	
		<u>40,000,000</u>	<u>40,000,000</u>

3.1 Pattern of shareholding

Name of Shareholders	2018	2017
	Number of Shares	
Mr. Muhammad Iqbal Usman Kodvavi	2,754,000	2,754,000
Ms. Farzana Iqbal Usman Kodvavi	1,245,999	1,245,999
Mr. Muhammad Yameen	1	1
	<u>4,000,000</u>	<u>4,000,000</u>

4. ACCRUED AND OTHER LIABILITIES

	2018	2017
	Rupees	Rupees
Accrued expenses	183,402	181,369
Sales tax payables	82,489	-
CDC payables	49,303	81,149
Tax payables	49,727	12,247
CVT payables	2,229	4,011
Workers' welfare fund	79,110	79,110
Other payables	-	1,914
	<u>446,260</u>	<u>359,800</u>

5. PROPERTY, PLANT AND EQUIPMENT

	Written Down Value				Written down value June 30, 2018	Rate of depreciation %
	As at July 01, 2017	Additions/ (Deletions)	Total	Charged for the year		
	----- Rupees -----					
Owned						
Office KSE	4,680,411	-	4,680,411	234,021	4,446,392	5%
Office equipment	363,354	104,338	467,692	64,407	403,285	15%
Furniture and fixtures	65,510	191,202	256,712	38,508	218,204	15%
Computer	440,465	120,260	560,725	159,198	401,527	30%
Generator	10,928	-	10,928	1,639	9,287	15%
Motorcycle	4,133	-	4,133	827	3,306	20%
Motor vehicles	8,032,038	4,468,640	12,404,548	2,207,523	10,197,025	20%
		(96,130)				
2018	<u>13,596,839</u>	<u>4,884,440</u>	<u>18,385,149</u>	<u>2,706,123</u>	<u>15,679,026</u>	
		(96,130)				
2017	<u>7,679,070</u>	<u>8,044,551</u>	<u>15,494,643</u>	<u>1,897,804</u>	<u>13,596,839</u>	
		(228,978)				

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6. INTANGIBLE	Note	2018 Rupees	2017 Rupees
Trading rights entitlement certificates	7.1	5,000,000	5,400,000
Impairment loss	6.1	(2,500,000)	(400,000)
		<u>2,500,000</u>	<u>5,000,000</u>

6.1 Pakistan Stock Exchange Limited vide their letter dated 08 August 2017 has determined value of Pakistan Stock Exchange Limited Rights Entitlement Certificate for base minimum capital purpose amounting to Rs. 2.5 million.

6.2 According to the Stock Exchanges (Corporatisation, Demutualization and integration) Act 2012, the TRE Certificate may only be transferred once to a company intending to carry out shares brokerage business in the manner to be prescribed. Upto 31 December 2019, a Stock Exchange shall offer for issuance of 15 TRE Certificate each year in the manner prescribed. After 2019, no restriction shall be placed on issuance of TRE Certificate.

7. LONG TERM INVESTMENT	Note	2018 Rupees	2017 Rupees
Investment in Share of Pakistan Stock Exchange Limited	7.1	3,935,409	5,834,612
		<u>3,935,409</u>	<u>5,834,612</u>

7.1 Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act) the ownership in a Stock Exchange has been segregated from the right to trade on the Exchange. Accordingly, the Company has received equity shares of KSE and a Trading Right Entitlement (TREC) in lieu of its membership card of KSE. The Company's entitlement in respect of KSE's shares is determined on the basis of valuation of assets and liabilities of KSE as approved by SECP and the Company has been allotted 4,007,383 shares of the face value of Rs. 10/- each, out of which 2,404,430 shares are kept in the blocked account and the divestment of the same will be made in accordance with the requirements of the Act within two years from the date of Demutualization.

In the absence of an active market of the shares of KSE and TREC, the Company has taken the cost of the shares and TREC at Rs. 40.073 million and Rs. 15 million respectively, which is the value approved by the Board of Directors of KSE and endorsed by the SECP. Consequently the Company has recorded surplus of Rs. 24.07 million on conversion of membership card of KSE to Shares and TREC in the equity.

In the year 2017, the Securities and Exchange Commission of Pakistan accorded its approval to Pakistan Stock Exchange Limited for issuing letter of acceptance to a Chinese Consortium for the strategic sale of 40% of shares against a consideration of \$85.6 million at offer price of Rs. 28 per share.

PSX vide their letter dated 29 December 2016 informed the Company that 40% shares (out of 60% of total shareholding in PSX), which were in held blocked form in terms of Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012, have been sold to Chinese consortium by the Divestment Committee at an offer price of Rs. 28 per share. Formal signing ceremony was held on 20 January 2017 to mark the signing of the Share Purchase Agreement between the Chinese Consortium and the divestment committee of PSX.

As per the above mentioned letter, 10% of the consideration amount will be retained for a period of one year to settle any outstanding liabilities of PSX and as such the portion of sale after deduction, if any, will be remitted to the designated bank account maintained by the Company after the expiry of the specified time period.

On March 2017, PSX informed the brokerage house that 90% of sale proceeds of 40% PSX shares has been disbursed into the designated bank accounts of the shareholders and the remaining 10% of the amount is held for a period of one year to settle any outstanding liabilities of PSX which will be released after the specified time and this amount has been

Given the above, the investment to the extent of 25% has been classified as long term investment while the remaining investment in PSX has been classified under short term investment.

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8. LONG TERM DEPOSITS	2018 Rupees	2017 Rupees
CDC deposit	100,000	100,000
NCCPL deposit	200,000	200,000
PSX forward deposit	1,000,000	500,000
KSE deposit	200,000	200,000
B to B deposit	-	100,000
BMC capital	-	1,778,589
	<u>1,500,000</u>	<u>2,878,589</u>

9. TRADE DEBTS		
Debtors secured - considered good	3,045,511	7,607,556
	<u>3,045,511</u>	<u>7,607,556</u>

9.1 The aging analysis of the trade debts upto thirty days, more than thirty days to upto ninety days and more then ninety days are amounting to Rs. 787,499, Rs. 1,534,243 and Rs. 723,769 respectively.

10. ADVANCES AND DEPOSITS	2018 Rupees	2017 Rupees
NCCPL deposit	688,785	906,296
Deposit into PSX against exposure	10,000,000	5,000,000
Advance deposit against purchase of car	-	2,256,500
Deposit against sale of PSX Shares	-	4,488,269
	<u>10,688,785</u>	<u>12,651,065</u>

11. SHORT TERM INVESTMENTS		
Financial assets at fair value through profit or loss		
Quoted equity securities	38,858,579	28,595,568
	<u>38,858,579</u>	<u>28,595,568</u>

12. CASH AND BANK BALANCES		
Cash in hand	66,899	189,637
Cash at banks:		
- Current accounts	159,787,603	166,955,610
	<u>159,854,502</u>	<u>167,145,247</u>

12.1 Customer and proprietor wise balances		
- Proprietary account balances	23,993,071	53,606,587
- Client account balances	135,861,431	113,538,660
	<u>159,854,502</u>	<u>167,145,247</u>

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13. OPERATING EXPENSES	Note	2018 Rupees	2017 Rupees
Salaries, wages and benefits	13.1	9,216,000	9,306,000
Rent, rates and taxes		60,000	60,000
Repair and maintenance		192,320	185,475
Fee and subscription		202,677	119,380
Legal and professional charges		317,900	267,500
Travelling and conveyance		689,670	673,610
Utility charges		433,354	456,369
Depreciation	5	2,706,122	1,897,804
Entertainment		621,975	489,561
Postage and telegrams		44,478	55,217
Printing and stationery		348,210	334,573
SECP Charges		3,951	11,851
PSX Recurring Charges		216,508	115,192
Software expenses		142,380	129,040
Auditors' remuneration	13.2	160,000	160,000
Internet expenses		47,696	20,800
Dealer commission		7,179,315	16,582,731
Advertisement		6,400	-
Zakat and donation		752,500	1,002,500
Clearing housing services		318,202	318,182
Bad debts		-	69
Impairment loss	6.1	2,500,000	400,000
Vehicle running and maintenance		1,097,100	1,111,700
Miscellaneous expenses		91,676	66,422
		<u>27,348,434</u>	<u>33,763,976</u>

13.1 Salaries, wages and benefits includes amount of Rs. 3,240,000 (2017: Rs. 2,400,000) paid to three directors.

13.2 Auditors' Remuneration	2018 Rupees	2017 Rupees
Audit fee	125,000	125,000
Out of pocket	5,000	5,000
Other certifications	30,000	30,000
	<u>160,000</u>	<u>160,000</u>

14. FINANCIAL AND OTHER CHARGES

Bank charges	80,702	117,547
Mark-up on bank overdraft	524	92,761
	<u>81,226</u>	<u>210,308</u>

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	2018 Rupees	2017 Rupees
15. OTHER INCOME		
Commission on shares application	✓211,381	26,500
Shares trading loss	(2,626,229)	(111,694)
Unrealized gain / (loss) on revaluation of short term investments	1,960,873	(1,755,206)
Interest income	✓258,166	102,294
Dividend income	2,000,696	440,812
Gain on sale of fixed assets	✓353,870	121,022
Gain on Sale of PSX Shares	-	58,116,393
Others	✓215,278	711,750
	<u><u>2,374,035</u></u>	<u><u>57,651,871</u></u>

16. TAXATION		
Current	4,657,732	3,415,647
Prior	81,049	38,735
	<u><u>4,738,781</u></u>	<u><u>3,454,382</u></u>

17. (LOSS) / EARNINGS PER SHARE		
(Loss) / profit after taxation	(9,541,508)	63,489,318
Number of ordinary shares	4,000,000	4,000,000
	<u><u>(2.39)</u></u>	<u><u>15.87</u></u>

18. CUSTOMERS ASSETS HELD IN CDC

The house holds 41 million securities of his clients in the clients CDC sub accounts having fair value Rs. 1,367.7 Million.

19. PLEDGE OF SECURITIES

	June 30, 2018	
	No. of Securities	Value of Securities
Pledge to financial institutions		
On behalf of brokerage house	-	-
On behalf of clients	25,000	4,944,250
	<u><u>25,000</u></u>	<u><u>4,944,250</u></u>

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20. FINANCIAL ASSETS AND LIABILITIES

	Markup bearing			Non-Markup bearing			2018 Total	2017 Total
	Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year	Sub-Total		
----- Rupees -----								
Financial Assets								
Trade debts	-	-	-	3,045,511	-	3,045,511	3,045,511	7,607,556
Long term deposits	1,000,000	-	1,000,000	-	500,000	500,000	1,500,000	2,878,589
Long term investment	-	-	-	-	3,935,409	3,935,409	3,935,409	5,834,612
Short Term Investment	-	-	-	38,858,579	-	38,858,579	38,858,579	28,595,568
Cash and bank balances	-	-	-	159,854,502	-	159,854,502	159,854,502	167,145,247
	1,000,000	-	1,000,000	201,758,592	4,435,409	206,194,001	207,194,001	212,061,572
Financial Liabilities								
Trade Creditors	-	-	-	135,861,431	-	135,861,431	135,861,431	113,538,660
Accrued and other liabilities	-	-	-	446,260	-	446,260	446,260	359,800
	-	-	-	136,307,691	-	136,307,691	136,307,691	113,898,460

21. FINANCIAL INSTRUMENTS RELATED DISCLOSURES

21.1 Credit Risk Exposure

Credit risk represents the accounting loss that would be recognized at the reporting date if parties failed completely to perform as contracted. The company controls its credit risk by ascertainment of credit worthiness of its customers, monitoring of debt on a continuous basis applying credit limits to its customers. The company does not believe that it is exposed to major concentration of credit Risk.

	2018 Rupees	2017 Rupees
Trade debts	3,045,511	7,607,556
Advances and deposits	10,688,785	12,651,065
Bank balances	159,854,502	167,145,247
	173,588,798	187,403,868

21.2 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

21.2.1 Foreign currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transaction in foreign currency. Currently, the Company is not exposed to currency risk since there are no material foreign currency transactions and balances at the reporting date.

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21.2.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Company has financial instruments with both fixed and floating interest rates as specifically disclosed in the respective notes. The Company while dealing in financial instruments negotiates attractive interest rates, which reduces the interest rate price risk.

21.2.3 Equity price risk

Equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. During the year the Company does not have any exposure to equity price risk.

21.3 Risk Management Policies

Risk Management is carried out by the management under policies approved by Board by Directors. The board provides principles for overall risk management , as well as policies covering specific areas like foreign exchange risk, interest rate risk and investing excessive liquidity.

22. FAIR VALUE OF FINANCIAL INSTRUMENT

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

23. REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS	2018	2017
	Rupees	Rupees
Mr. Muhammad Iqbal Usman Kodvavi	1,200,000	840,000
Ms. Farzana Iqbal Usman Kodvavi	1,200,000	840,000
Mr. Muhammad Yameen	840,000	720,000
	<u>3,240,000</u>	<u>2,400,000</u>

23.1 All the directors are provided with company owned car, for which insurance and maintenance charges is also borne by the company.

24. CAPITAL ADEQUACY LEVEL	Note	2018	2017
		Rupees	Rupees
Total Assets	24.1	248,187,589	255,319,866
Less: Total Liabilities		(136,307,691)	(133,898,460)
Capital Adequacy level		<u>111,879,898</u>	<u>121,421,406</u>

24.1 While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate held by the Iqbal Usman Kodvavi Securities (Private) Limited as at year ended June 30, 2018 as determined by Pakistan Stock Exchange has been considered.

25. NUMBER OF EMPLOYEES

2018

2017

Total number of employee at the end of the year

13

12

Average number of employees during the year

13

15

26. DATE OF AUTHORIZATION

These financial statements were authorized on 22 OCT 2018 by the Board of Directors of the Company.

27. CORRESPONDING FIGURES

Corresponding figures' have been re-classified, wherever necessary for the purposes of comparison.

28. GENERAL

Figures have been rounded off to the nearest rupee.

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Chief Executive Officer



Director