

Independent Auditor's Report to the members of HABIB ULLAH SHEIKH (PVT) LIMITED
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **HABIB ULLAH SHEIKH (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: 10 SEP 2018

HABIB ULLAH SHEIKH (PVT) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	6	2,958,998	2,616,010
Long term advances	7	2,192,320	2,192,320
Intangible assets	8	12,900,000	14,500,000
Long term investment	9	8,692,941	11,489,875
Long term deposits	10	560,000	560,000
Deferred taxation	17	281,397	-
		<u>27,585,656</u>	<u>31,358,205</u>
CURRENT ASSETS			
Account receivables	11	12,066,009	2,383,682
Investment at fair value through profit and loss	12	14,976,720	-
Loan and Advances	13	66,100	-
Accrued Interest		-	753
Trade deposits, short term prepayments and current account balance with statutory authorities	14	2,248,926	2,121,326
Cash and bank balances	15	24,270,932	56,470,814
		<u>53,628,687</u>	<u>60,976,575</u>
		<u>81,214,343</u>	<u>92,334,780</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	45,300,000	45,300,000
Un-appropriated profit		16,152,607	22,304,590
Fair value adjustment reserve		(8,268,312)	(5,471,378)
		<u>53,184,295</u>	<u>62,133,212</u>
NON CURRENT LIABILITIES			
Deferred taxation	17	-	115,059
CURRENT LIABILITIES			
Deposits, accrued liabilities and advances	18	253,368	583,519
Trade and other payables	19	27,776,680	29,231,295
Provision for taxation		-	271,695
		<u>28,030,048</u>	<u>30,086,509</u>
CONTINGENCIES AND COMMITMENTS			
	20	-	-
		<u>81,214,343</u>	<u>92,334,780</u>

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

CHIEF EXECUTIVE



DIRECTOR



HABIB ULLAH SHEIKH (PVT) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Brokerage and commission	21	2,724,794	8,532,576
Capital(loss) gain/ on marketable securities		(1,299,311)	1,822,476
		1,425,483	10,355,052
Direct cost	22	442,742	580,253
		982,741	9,774,799
Operating expenses	23	(7,981,335)	(7,790,610)
Other expenses	24	(1,621,758)	(131,143)
Other income	25	2,587,634	2,933,948
		(7,015,459)	(4,987,805)
(LOSS)/PROFIT FROM OPERATIONS		(6,032,718)	4,786,994
Finance cost	26	(48,087)	(40,093)
(LOSS)PROFIT/ BEFORE TAXATION		(6,080,805)	4,746,901
Taxation	27	71,179	1,366,964
PROFIT/(LOSS) FOR THE YEAR		<u>(6,151,984)</u>	<u>3,379,937</u>
EARNINGS PER SHARE- BASIC AND DILUTED	28	<u>(135.81)</u>	<u>74.61</u>

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

CHIEF EXECUTIVE

DIRECTOR

HABIB ULLAH SHEIKH (PVT) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

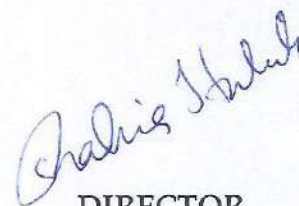
	2018 Rupees	2017 Rupees
(Loss)Profit/ for the year	(6,151,984)	3,379,937
Items that will not be reclassified subsequently to profit and loss account	-	-
Items that may be reclassified subsequently to profit and loss account		
Loss on remeasurement of available for sale investment	(2,796,933)	(5,853,810)
Other comprehensive loss for the year	(2,796,933)	(5,853,810)
Total comprehensive loss for the year	<u>(8,948,917)</u>	<u>(2,473,873)</u>

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

CHIEF EXECUTIVE



DIRECTOR



HABIB ULLAH SHEIKH (PVT) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before taxation		(6,080,805)	4,746,901
Adjustments of items not involving movements of cash:			
Depreciation	6	652,957	491,694
Dividend income		(421,988)	(604,238)
Interest income		(1,489,831)	(1,826,801)
Income from disposal of assets		(23,945)	-
Impairment of TRE certificate		1,600,000	-
Balances written off		472	128,270
Gain on remeasurement of short term investment	12	(101,077)	-
		<u>216,588</u>	<u>(1,811,075)</u>
Operating cash Flows Before Working capital changes		(5,864,217)	2,935,826
(Increase) / Decrease in Working Capital			
(Increase) / decrease in current assets			
Account receivables		(9,682,799)	(673,157)
Trade deposits and short term prepayments		12,936	(933,795)
Loan and Advances		(66,100)	-
Other recievables		(5,580)	102,215
Increase / (decrease) in current liabilities			
Trade and other payables		(330,151)	8,774,144
Accrued expenses		(1,454,615)	-
		<u>(11,526,309)</u>	<u>7,269,407</u>
Cash Generated From Operations		(17,390,526)	10,205,233
Taxes paid		(874,285)	(997,657)
		<u>(874,285)</u>	<u>(997,657)</u>
Net cash Flows From Operating Activities		(18,264,811)	9,207,576
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,722,000)	(264,430)
Proceeds from sale of short term investments		(14,875,643)	9,892,644
Interest received		1,490,584	1,826,048
Proceeds from sale of vehicle		750,000	-
Long term deposits		-	381,000
Dividend income received		421,988	604,238
Net cash Flows From Investing Activities		(13,935,071)	12,439,500
Net Cash Flows From Financing Activities		-	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(32,199,882)	21,647,076
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		56,470,814	34,823,738
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	A	<u>24,270,932</u>	<u>56,470,814</u>
A Cash and Cash Equivalents			
Cash and bank balances	15	24,270,932	56,470,814
		<u>24,270,932</u>	<u>56,470,814</u>

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

CHIEF EXECUTIVE 

DIRECTOR 

HABIB ULLAH SHEIKH (PVT) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Paid up share capital	Acumulated profit	Fair value adjustment reserve	Total
	----- (R u p e e s) -----			
Balance as at June 30, 2016	45,300,000	18,924,653	382,433	64,607,085
Profit for the year	-	3,379,937	-	3,379,937
Other comprehensive loss	-	-	(5,853,810)	(5,853,810)
	-	3,379,937	(5,853,810)	(2,473,873)
Balance as at June 30, 2017	45,300,000	22,304,591	(5,471,379)	62,133,212
Loss for the year	-	(6,151,984)	-	(6,151,984)
Other comprehensive loss	-	-	(2,796,933)	(2,796,933)
	-	(6,151,984)	(2,796,933)	(8,948,917)
Balance as at June 30, 2018	45,300,000	16,152,607	(8,268,312)	53,184,295

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

CHIEF EXECUTIVE

DIRECTOR

HABIB ULLAH SHEIKH (PVT) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1 COMPANY AND ITS OPERATION

The company was incorporated as Private Limited Company on May 30, 2006 under the repealed Companies Ordinance, 1984. The registered office of the Company is situated at Room # 213, 2nd Floor, Lahore Stock Exchange Building, 19- Khayaban-e-Aiwan-e-Iqbal, Lahore. The branch office of the company is located at Room # 207, 2nd Floor, Lahore Stock Exchange Building, 19- Khayaban-e-Aiwan-e-Iqbal, Lahore.

The company is Trading Right Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange Limited. The Principal activity of the Company is financial consultancy, brokerage, underwriting, portfolio management / acquisition of securities and securities research.

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
- 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.



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

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

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

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 recognized at fair value plus directly attributable cost, if any, 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 debts and other receivables are recognized initially at cost which is the fair value of consideration to be received less provision for doubtful debts, if any. A provision for doubtful debt is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

4.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at fair value. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances at banks in current and deposit accounts and short term running finances with bank.

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

The company accounts for deferred taxation using the liability method on all timing differences which are considered reversible in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax is calculated at the rates expected to apply to the period when the related temporary differences reverse, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

4.11 TRADE AND OTHER PAYABLES

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

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 drastic adverse effects on the performance of the equity market, depressing sentiments in the investment climate and subsequently adversely effected volumes, resultantly our short term investment portfolio yielded very low profits.

We refer to profit and loss account and notes to the financial statements for understanding of performance of the company.



6 PROPERTY AND EQUIPMENT

Particulars	Cost			Depreciation			WDV As at June 30, 2018				
	As at June 30, 2017	Additions	Deletion	As at June 30, 2017	Charge for the year	Deletion for the year					
OWNED											
..... RUPEES				 RUPEES							
Furniture and fittings	834,934	-	-	834,934	15	593,288	36,247	629,535	205,399		
Vehicles	3,944,900	1,700,000	(1,565,000)	4,079,900	15	2,074,561	493,051	1,728,667	2,351,233		
Office equipment	814,850	-	-	814,850	15	593,026	33,274	626,300	188,550		
Computers	812,517	22,000	-	834,517	30	530,316	90,385	620,701	213,816		
6,407,201				1,722,000	(1,565,000)	6,564,201	3,791,191	652,957	(838,945)	3,605,203	2,958,998

6.1 OWNED

Particulars	Cost			As at June 30, 2017	Rate %	Depreciation			WDV As at June 30, 2017	
	As at June 30, 2016	Additions	Deletion			As at June 30, 2016	Charge for the year	Deletion for the year		
OWNED	 RUPEES.....			 RUPEES.....						
Furniture and fittings	719,154	115,780	-	834,934	15	564,151	29,137	-	593,288	241,646
Vehicles	3,944,900	-	-	3,944,900	15	1,744,501	330,060	-	2,074,561	1,870,339
Office equipment	814,850	-	-	814,850	15	553,880	39,146	-	593,026	221,824
Computers	663,867	148,650	-	812,517	30	436,965	93,351	-	530,316	282,201
	6,142,771	264,430	-	6,407,201		3,299,497	491,694	-	3,791,191	2,616,010

6.2 Disposal of Property and Equipment:

Description	 RUPEES				Name and Address
	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	
Corolla Honda Civic	1,565,000	838,945	726,055	750,000	Sohaib Mushtaq Gelani Town, House # 4, Dera Ismail Khan
				23,945	Negotiation

	Note	2018 Rupees	2017 Rupees
7 • LONG TERM ADVANCES			
Advance for purchase of room - LSE Financial Services Limited		<u>2,192,320</u>	<u>2,192,320</u>
8 INTANGIBLE ASSETS			
Trading right entitlement certificate	8.1	4,100,000	4,100,000
Impairment loss		(1,600,000)	
		<u>2,500,000</u>	<u>4,100,000</u>
Rights of room		10,000,000	10,000,000
Membership in Royal Palm		<u>400,000</u>	<u>400,000</u>
		<u>12,900,000</u>	<u>14,500,000</u>

- 8.1 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. It is carried at cost less impairment.

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
9 LONG TERM INVESTMENT			
Unquoted - Shares of LSE Financial Services Limited: <i>Available for sale investment</i>			
Cost as at July 01,		16,961,253	16,961,253
Fair value adjustment		<u>(8,268,312)</u>	<u>(5,471,378)</u>
	9.1	<u>8,692,941</u>	<u>11,489,875</u>

- 9.1 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 843,975 shares of the face value of Rs. 10 each to the TREC holder. The Company has pledged 843,975 shares of LSE Financial Services Limited with the Pakistan Stock Exchange to fulfill the Base Minimum Capital requirement.
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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.

10 LONG TERM DEPOSITS	Note	2018 Rupees	2017 Rupees
Deposits with:			
Pakistan Stock Exchange Limited		-	200,000
National Clearing Company of Pakistan I	10.1	500,000	300,000
Others		60,000	60,000
		<u>560,000</u>	<u>560,000</u>

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

11 TRADE DEBTS	Note	2018 Rupees	2017 Rupees
Receivable from:			
Clients on account of purchase of sha		312,477	365,809
Less: Provision for doubtful debts	11.1	(24,159)	(2,873)
	11.2	288,318	362,936
Brokerage commission		62,646	71,051
Receivable from National Clearing Company of Pakistan Limited		<u>11,715,045</u>	<u>1,949,695</u>
		<u>12,066,009</u>	<u>2,383,682</u>

11.1 Movement is as follows

Opening Balance	2,873	-
Provision made during the year	21,286	2,873
	<u>24,159</u>	<u>2,873</u>

11.2 Aging Analysis

Upto five days	-	52,702
More than five days	288,318	310,234
	<u>288,318</u>	<u>362,936</u>

	Note	2018 Rupees	2017 Rupees
12 INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS			
Investment - listed companies			
Carrying value		14,875,643	-
Gain on remeasurement of investment at fair value		101,077	-
		<u>14,976,720</u>	<u>-</u>
13 LOAN AND ADVANCES			
Un-secured but considered good			
Advances to:			
Employees		66,100	-
14 TRADE DEPOSITS, SHORT TERM REPAYMENTS AND CURRENT ACCOUNT BALANCE WITH STATUTORY AUTHORITIES			
Deposits with:			
National Clearing Company of Pakistan Limited	14.1	1,500,000	1,500,000
Prepayments		-	12,936
Oter receivables		5,580	-
Tax deducted at source		743,346	608,390
		<u>2,248,926</u>	<u>2,121,326</u>

14.1 This represents deposit with National Clearing Company of Pakistan Limited against exposure margin in respect of trade in future and ready market. These deposits carry profit at rates ranging from 2.89% to 3.80% (2017: 2.75% to 3.1%) per annum.

	Note	2018 Rupees	2017 Rupees
15 CASH AND BANK BALANCES			
These were held as under:			
Cash in hand		7,934	16,280
Cash at bank			
Current accountS			
Pertaining to brokerage house		501,012	724,507
Pertaining to client account		2,475,034	1,889,042
		2,976,046	2,613,549
Deposit accountS			
Pertaining to brokerage house	15.1	7,714,094	28,537,872
Pertaining to client account	15.2	13,572,858	25,303,113
		21,286,952	53,840,985
		24,262,998	56,454,534
		<u>24,270,932</u>	<u>56,470,814</u>

15.1 It carries markup @ 3.735 (2017: 3.825%) on the month end balance.

15.2 It carries markup @ 3.735 (2017: 3.825%) on the month end balance.

	Note	2018 Rupees	2017 Rupees
16 SHARE CAPITAL			
Authorized			
100,000 (2017: 100,000) ordinary shares of Rs.1,000 each		<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid up			
45,300 (2017: 45,300) ordinary shares of Rs.1,000 each fully paid in cash		<u>45,300,000</u>	<u>45,300,000</u>

% age of Shares Held		Number of Shares Held	
2018	2017	2018	2017

16.1 Categories of shareholders

Individual

Chief Executive

Mr. Habib ullah Sheikh	99.83%	100%	45,225	45,225
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Director

Mrs. Rabia Habib	0.06%	0.06%	25	25
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Mr. Wali Ullah Habib	0.11%	0.11%	50	50
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100%	100%	45,300	45,300
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	Note	2018 Rupees	2017 Rupees
17 DEFERRED TAXATION			
Deferred credits/(debits) arising due to:			
Accelerated tax depreciation		75,417	115,059
Provision for doubtful debts		(5,859)	-
Brought forward losses		(350,955)	-
		<u>(281,397)</u>	<u>115,059</u>
Balance as at July 01,		115,059	17,448
Add: charge/(reversal) for the year		(396,456)	97,611
		<u>(281,397)</u>	<u>115,059</u>

**18 DEPOSITS, ACCRUED LIABILITIES
AND ADVANCES**

Accrued expenses	168,368	583,519
Deposit Kits	85,000	-
	<u>253,368</u>	<u>583,519</u>

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