

Original



**BAKER TILLY**  
**MEHMOOD IDREES**  
**QAMAR**  
CHARTERED ACCOUNTANTS

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**DJM SECURITIES (PRIVATE) LIMITED**  
  
**FINANCIAL STATEMENTS**  
  
**FOR THE YEAR ENDED JUNE 30, 2017**

PRINTED MATTER



an independent member of  
**BAKER TILLY**  
INTERNATIONAL

**DJM SECURITIES (PRIVATE) LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2017**



**BAKER TILLY**  
**MEHMOOD IDREES**  
**QAMAR**  
CHARTERED ACCOUNTANTS

4<sup>th</sup> Floor, Central Hotel Building,  
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**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **DJM SECURITIES (PRIVATE) LIMITED** as at **June 30, 2017** and the related profit and loss account and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, (*here-in-after referred to as the financial statements*) for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

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- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standard as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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, 2017, and of the profit for the year then ended; and
- d) in our opinion no Zakat was deducted at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements for the year ended June 30, 2016 were audited by another firm of Chartered Accountants who expressed an unmodified opinion thereon dated October 04, 2016.

*M*

*Mehmood A. Razzak*

**Engagement Partner: Mehmood A. Razzak**

*Karachi.*

**Date: 10 OCT 2017**

**DJM SECURITIES (PRIVATE) LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2017**

	Note	2017 Rupees	Restated 2016 Rupees	Restated 2015 Rupees
<b>ASSETS</b>				
<b>Non - Current Assets</b>				
Property, plant and equipment	4	9,043,420	2,611,786	2,848,096
Intangible assets	5	417,805	446,865	488,379
Long term Investment	6	16,029,530	40,073,830	40,073,830
Long term deposits	7	51,109,925	150,208,656	190,371,656
Deferred asset		-	87,617	-
		76,600,680	193,428,754	233,781,961
<b>Current Assets</b>				
Short term investment	8	1,380,643,199	1,497,989,314	1,405,306,789
Trade debts	9	21,079,255	77,331,514	116,929,147
Advances and other receivables	10	389,647,815	5,593,820	99,790
Taxation - net	11	76,990,031	59,390,530	58,008,110
Cash and bank balances	12	27,255,435	22,056,757	34,146,912
		1,895,615,735	1,662,361,935	1,614,490,748
		<b>1,972,216,415</b>	<b>1,855,790,689</b>	<b>1,848,272,709</b>
<b>SHARE CAPITAL AND RESERVE</b>				
<b>Authorized Share Capital</b>				
25,000,000 Ordinary shares of Rs. 10/- each		<b>250,000,000</b>	<b>250,000,000</b>	<b>250,000,000</b>
<b>Issued, Subscribed and Paid up Share Capital</b>				
12,500,000 Ordinary shares of Rs. 10/- each	13	125,000,000	125,000,000	125,000,000
Unappropriated profit		1,267,710,260	1,046,070,631	1,076,994,926
		1,392,710,260	1,171,070,631	1,201,994,926
<b>Current Liabilities</b>				
Short term borrowing	14	469,151,851	590,752,632	450,290,045
Trade and other payables	15	27,972,332	22,612,527	41,868,775
Directors' loan	16	44,152,530	27,166,164	83,038,887
Loan and advances	17	31,999,941	31,999,941	63,987,057
Mark-up payable		6,229,501	12,188,794	7,093,019
		579,506,155	684,720,058	646,277,783
		<b>1,972,216,415</b>	<b>1,855,790,689</b>	<b>1,848,272,709</b>

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



  
**Chief Executive Officer**



**Director**

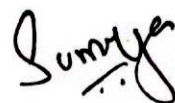
**DJM SECURITIES (PRIVATE) LIMITED**  
**PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 Rupees	Restated 2016 Rupees
Commission income	18	40,631,626	21,907,614
Administrative expense	19	(40,690,915)	(27,105,445)
<b>Operating (loss)</b>		<u>(59,289)</u>	<u>(5,197,831)</u>
Financial charges	20	(38,270,827)	(38,169,558)
Other income	21	448,600,336	91,660,140
Worker welfare fund		-	(90,611)
Unrealized loss on revaluation of investment		(140,928,346)	(69,104,499)
<b>Profit / (loss) before taxation</b>		<u>269,341,874</u>	<u>(20,902,359)</u>
Taxation	22	(47,702,245)	(10,021,936)
<b>Profit / (loss) for the year</b>		<u><u>221,639,629</u></u>	<u><u>(30,924,295)</u></u>
<b>Statement of other comprehensive income</b>			
Items that may be reclassified to profit and loss account subsequently		-	-
<b>Total comprehensive income / (loss) for the year</b>		<u><u>221,639,629</u></u>	<u><u>(30,924,295)</u></u>
Earnings / (loss) per share	23	<u><u>17.73</u></u>	<u><u>(2.47)</u></u>

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

*BS*

  
 Chief Executive Officer


  
 Director

**DJM SECURITIES (PRIVATE) LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Issued, subscribed and paid up share capital</u>	<u>Unappropriated profit</u>	<u>Total</u>
	----- Rupees -----		
Balance as at July 01, 2015	125,000,000	1,052,950,626	1,177,950,626
Effect of correction of errors	-	24,044,300	24,044,300
<b>Balance as at June 30, 2015 - Restated</b>	<b>125,000,000</b>	<b>1,076,994,926</b>	<b>1,201,994,926</b>
(Loss) for the year ended June 30, 2016 - Restated	-	(30,924,295)	(30,924,295)
Other comprehensive income - Restated	-	-	-
<b>Balance as at June 30, 2016 - Restated</b>	<b>125,000,000</b>	<b>1,046,070,631</b>	<b>1,171,070,631</b>
Profit for the year ended June 30, 2017	-	221,639,629	221,639,629
Other comprehensive income	-	-	-
<b>Balance as at June 30, 2017</b>	<b>125,000,000</b>	<b>1,267,710,260</b>	<b>1,392,710,260</b>

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Chief Executive Officer

  
\_\_\_\_\_  
Director

**DJM SECURITIES (PRIVATE) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	2017 Rupees	2016 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	269,341,874	(20,902,358)
<b>Adjustments for non cash items and other charges :</b>		
Depreciation	1,382,946	236,311
Amortisation	29,060	41,514
Provision for doubtful debts	490,000,000	490,000,000
Appreciation in value of short term investments	140,928,346	69,104,499
Financial charges	38,270,827	38,169,558
	670,611,179	597,551,882
<b>Operating profit before working capital changes</b>	<b>939,953,053</b>	<b>576,649,524</b>
<b>(Increase) in current assets</b>		
Short term investment	(23,582,231)	(161,787,024)
Trade debts	(433,747,741)	(450,402,367)
Advances and other receivables	(384,053,995)	(5,494,030)
	(841,383,967)	(617,683,421)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	5,359,805	(19,256,247)
Directors' loan	16,986,366	(55,872,724)
Loan and advances	-	(31,987,116)
	22,346,171	(107,116,087)
Financial charges paid	(44,230,120)	(33,073,784)
Taxes paid	(65,214,130)	(11,491,973)
<b>Net cash inflow from / (used in) operating activities</b>	<b>11,471,007</b>	<b>(192,715,742)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(7,814,580)	-
Long term investment	24,044,300	-
<b>Net cash inflow financing activities</b>	<b>16,229,720</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term deposits	99,098,731	40,163,000
<b>Net cash inflow from financing activities</b>	<b>99,098,731</b>	<b>40,163,000</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>126,799,458</b>	<b>(152,552,742)</b>
Cash and cash equivalents at beginning of the year	(568,695,875)	(416,143,133)
<b>Cash and cash equivalents at end of the year</b>	<b>24 (441,896,416)</b>	<b>(568,695,875)</b>

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

*AM*

  
**Chief Executive Officer**

*Sumya*

**Director**



**DJM SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**1. NATURE OF BUSINESS AND OPERATIONS**

D.J.M. Securities (Private) Limited was incorporated on June 17, 2002 under the Companies Ordinance, 1984 as a private limited company registration No. K-08857 of 2001-2002. The registered and principal office of the company is situated at Suit # 203, 2nd Floor, Business and Finance Centre, I.I. Chundrigar Road, Karachi. The principal activity of the company is to carry on the business of stock brokerage, investments advisory, consultancy service underwriting and portfolio management etc.

**2. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with the approved accounting standards require the use of certain critical accounting estimates. It also requires the 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 areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Company Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as are notified under the provisions of the Company Ordinance, 1984. Wherever the requirements of the Company Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Company Ordinance, 1984 or the requirements of the said directives shall prevail.

**2.2 Changes in Accounting Standards and Interpretations**

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

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on January 1, 2016 and are considered to be relevant to the Company's operations:

IAS 1, 'Presentation of financial statements' aims to improve presentation and disclosure in financial reports by emphasising the importance of understand ability, comparability and clarity in presentation.

The amendments provide clarification on number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.

The above do not have any significant impact on these financial statements.



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

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2016 are considered not to be relevant to Company's financial statements and hence have not been detailed here.

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

Following new amendment to published standard is effective for accounting periods beginning on or after January 1, 2017 and is considered to be relevant for Company's financial statements.

IAS 7, 'Cash flow statements' - This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment is part of the IASB's Disclosure Initiative. In the first year of adoption, comparative information need not be provided.

### **2.3 Financial instruments**

All financial assets and liabilities are recognized at the time when the Company becomes a party to all the contractual provisions of instrument and derecognized when the Company loses control of contractual rights. Financial assets include trade debts, other receivables, loans, advances and deposits. Regular purchase and sale of investments are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. These are recognized initially at cost plus directly attributable transaction cost, if any, and subsequently measured at fair value or amortized cost using effective interest rate method as the case may be less provision for impairment, if any.

### **2.4 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and any identified impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of assets. Depreciation is charged to profit and loss account by applying reducing balance method at rates indicated in notes to the financial statements. Residual value and the useful life of assets are reviewed at least at each financial year-end and adjusted if impact on depreciation is significant.

Full year depreciation is charged on all additions, while no depreciation is charged on fixed assets disposed of during the year. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

Gain or loss arising on the disposal is taken in income in the year of disposal. Maintenance and normal repairs are charged to income as and when incurred. Renewals and improvements are capitalized where it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably.

### **2.5 Intangible assets**

An intangible asset is recognized as an asset if it is probable that the economic benefits attributable to the assets will flow to the company and cost of the asset can be measured reliably. 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. Where the carrying amount exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

#### **2.5.1 Computer software**

Expenditure incurred to acquire identifiable computer software and having probable economic benefits exceeding the costs 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.

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 notes to the financial statements.

## **2.6 Membership cards**

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.

## **2.7 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.

### **Sale and Purchase Agreements**

Securities purchased under agreements to resell ('reverse repose') are shown as Receivable against margin trading systems. Securities sold subject to linked Repurchased agreement ('repose') are retained in the financial statements as trading or investment securities and the counter party liability is included in borrowing under Repurchase agreements. The difference between sale and purchase price is treated as income / expense from margin trading system.

## **2.8 Trade and other receivables**

Trade and other receivables are initially recognized at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at cost as reduced by appropriate provision for trade debts and other receivables considered to be doubtful. A provision 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 receivables. The amount of provision is charged to profit and loss. Trade and other receivables considered irrecoverable are written off.

## **2.9 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, balances with banks, highly liquid short term investments that are convertible to known amounts of cash and are subject to insignificant risk of change in value, and short term running finance under mark-up arrangements.

## **2.10 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 outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimates.

## **2.11 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 future for goods and services.

## 2.12 Revenue recognition

Brokerage, consultancy, advisory fee, underwriting, book running fee, commission on foreign exchange dealings and debt securities etc., are recognised as and when such services are provided.

Income from reverse repurchase transactions, debt securities and bank deposits is recognised at effective yield on time proportionate basis.

Interest income on financial assets (including margin financing) is recognised on time proportionate basis taking into account effective / agreed rate of the instrument.

Dividend income is recorded when the right to receive the dividend is established.

Gains/(losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.

Unrealised capital gains / (losses) arising from mark to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in profit and loss account in the period in which they arise.

Unrealised gains / (losses) arising from mark to market of investments classified as 'available for sale' are taken directly to other comprehensive income.

Gains / (losses) arising on revaluation of derivatives to fair value are taken to profit and loss account under other income / other expense.

## 2.13 Taxation

### Current

Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or minimum tax on turnover or alternative corporate tax, whichever is higher.

### Deferred

Deferred taxation is recognized using the balance sheet liability method on all major temporary differences arising between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

## 2.14 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statement when there is a legally enforceable right to set off and the company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

## 2.15 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include holding company, associated companies with or without common directors, directors and major shareholders and their close family members, key management personnel and staff and retirement benefit funds.

## 3. Restatement

During the year's audit, errors were found in previous years' financial statements. Long term investment was erroneously understated by Rs 24,044,300. Moreover, Intangible asset "Trading Right Entitlements Certificates" was erroneously recorded Rs. 5 million, instead of its initial cost as per company policy for recognition of intangible assets.

The correction of prior year errors has been accounted for retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and comparative figures have been restated.



4. PROPERTY, PLANT AND EQUIPMENT

	Office premises	Office equipment	Office furniture	Computer	Generator	Vehicles	Total
----- Rupees -----							
<b>Year ended June 30, 2016</b>							
Opening net book value	1,317,691	384,494	1,043,875	86,927	15,109	-	2,848,096
Additions (at cost)	-	-	-	-	-	-	-
<b>Disposals</b>							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Depreciation charge for the year	(65,885)	(38,449)	(104,388)	(26,078)	(1,511)	-	(236,311)
<b>Net Book Value</b>	<b>1,251,806</b>	<b>346,045</b>	<b>939,487</b>	<b>60,849</b>	<b>13,598</b>	<b>-</b>	<b>2,611,785</b>
<b>As at June 30, 2016</b>							
Cost	2,316,614	1,037,889	3,466,860	1,840,247	39,000	-	8,700,610
Accumulated depreciation	(1,064,808)	(691,844)	(2,527,373)	(1,779,398)	(25,402)	-	(6,088,824)
<b>Net Book Value</b>	<b>1,251,806</b>	<b>346,045</b>	<b>939,487</b>	<b>60,849</b>	<b>13,598</b>	<b>-</b>	<b>2,611,786</b>
<b>Year ended June 30, 2017</b>							
Opening net book value	1,251,806	346,045	939,487	60,849	13,598	-	2,611,785
Additions (at cost)	-	-	-	-	-	7,814,580	7,814,580
<b>Disposals</b>							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Depreciation charge for the year	(62,590)	(34,605)	(93,949)	(18,255)	(1,360)	(1,172,187)	(1,382,946)
<b>Net Book Value</b>	<b>1,189,216</b>	<b>311,441</b>	<b>845,538</b>	<b>42,594</b>	<b>12,238</b>	<b>6,642,393</b>	<b>9,043,420</b>
<b>As at June 30, 2017</b>							
Cost	2,316,614	1,037,889	3,466,860	1,840,247	39,000	7,814,580	16,515,190
Accumulated depreciation	(1,127,398)	(726,449)	(2,621,322)	(1,797,653)	(26,762)	(1,172,187)	(7,471,770)
<b>Net Book Value</b>	<b>1,189,216</b>	<b>311,441</b>	<b>845,538</b>	<b>42,594</b>	<b>12,238</b>	<b>6,642,393</b>	<b>9,043,420</b>
Annual rate depreciation	5%	10%	10%	30%	10%	15%	

5. INTANGIBLE ASSETS

	Note	2017 Rupees	2016 Rupees
Computer software	5.1	67,805	96,865
Trading Right Entitlement Certificate (TREC)	5.2	100,000	100,000
Membership card	5.3	250,000	250,000
		<b>417,805</b>	<b>446,865</b>

	2017 Rupees	2016 Rupees
<b>5.1 Computer software</b>		
<b>Cost</b>		
Opening value	1,550,000	1,550,000
Addition during the year	-	-
<b>Less: Amortization</b>		
Opening value	1,453,135	1,411,621
Amortization for the year the year	29,060	41,514
Closing value	1,482,195	1,453,135
<b>Written down value (WDV)</b>	<b>67,805</b>	<b>96,865</b>
<b>Annual rate amortization (%)</b>	<b>30%</b>	<b>30%</b>

**5.2** This represents Trading Right Entitlement Certificate (TREC) received from Pakistan Stock Exchange Limited after the merger of all the three stock exchange of Pakistan in accordance with the requirement of the Stock Exchange (Corporation, Demutualization and Integration) Act, 2012 (The Act).

**5.3** This represents Universal Membership at the National Commodity Exchange Limited under the Memorandum and Articles of Association and subject to the Rules and Regulations of the Exchange. Given under the hands and Seal of the Exchange at Karachi on March 31, 2003.

	Note	2017 Rupees	2016 Rupees
<b>6. LONG TERM INVESTMENT</b>			
Investment in Share of Pakistan Stock Exchange Limited	6.1	<u>16,029,530</u>	<u>40,073,830</u>

**6.1** Pursuant to the promulgation of the Stock Exchanges (Corporatization, 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 (TRECs) in lieu of it 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 current period, 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.

7. LONG TERM DEPOSITS	Note	2017 Rupees	2016 Rupees
Advance to associated concern	7.1	-	110,837,000
Long term deposits	7.2	51,109,925	39,371,656
		<u>51,109,925</u>	<u>150,208,656</u>

7.1 This advance is given to associated undertaking (Real Estate Modaraba Management Company Limited) as long term loan, which is interest free and is repayable after one year.

7.2 Includes non interest bearing deposits under statutory obligations (NCCPL, CDC and PMEX etc.)

8. SHORT TERM INVESTMENT	Note	2017 Rupees	2016 Rupees
Investment in listed securities	8.1	<u>1,380,643,199</u>	<u>1,497,989,314</u>
<b>8.1 Gain / (loss) on re-measurement of investment at fair value through profit and loss - held for trading</b>			
Market value		1,380,643,199	1,497,989,314
Cost of Investment		1,509,280,501	1,485,698,270
<b>Fair value (loss) / gain (unrealized)</b>		<u>(128,637,302)</u>	<u>12,291,044</u>

#### 9. TRADE DEBTS

Trade debts - Considered good	21,079,255	77,331,514
Considered doubtful	490,000,000	490,000,000
	511,079,255	567,331,514
Less: Provision for doubtful debts	(490,000,000)	(490,000,000)
	<u>21,079,255</u>	<u>77,331,514</u>

#### 10. ADVANCES AND OTHER RECEIVABLES

Advance against right issue	328,200,000	-
Receivables from PSX/NCCPL	29,314,396	5,593,820
Other receivables	32,133,419	-
	<u>389,647,815</u>	<u>5,593,820</u>

#### 11. ADVANCE INCOME TAX

Opening balance	59,390,530	58,008,110
Add: Paid / deducted during the year	65,214,129	11,491,973
	124,604,659	69,500,083
Less: Provision for taxation		
Current	51,378,844	10,393,990
Prior	(3,764,216)	(284,437)
	47,614,628	10,109,553
	<u>76,990,031</u>	<u>59,390,530</u>

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12. CASH AND BANK BALANCES	Note	2017 Rupees	2016 Rupees
Cash in hand		2,316	3,866
<b>Cash at banks:</b>			
- Current accounts		32,221	22,033,165
- Saving accounts	12.1	27,220,898	19,726
		<u>27,255,435</u>	<u>22,056,757</u>

12.1 Mark-up rate on bank profit ranges from 3.7% to 3.82% (2016: 5.50% to 6.00%).

### 13. SHARE CAPITAL

#### Authorized Share Capital

Number of Shares			
2017	2016		
<u>25,000,000</u>	<u>25,000,000</u>	Ordinary shares of Rs.10/- each	<u>250,000,000</u> <u>250,000,000</u>

#### Issued, Subscribed and Paid-up Share Capital

Number of Shares			
2017	2016		
<u>12,500,000</u>	<u>12,500,000</u>	Ordinary shares of Rs.10/- each fully paid in cash	<u>125,000,000</u> <u>125,000,000</u>

### 14. SHORT TERM BORROWING

NIB Bank Limited	14.1	260,533,350	347,905,442
Bank Al Habib Limited	14.2	208,618,501	242,847,190
		<u>469,151,851</u>	<u>590,752,632</u>

14.1 These borrowings are secured pledge of shares of companies with 30% to 50% margin, letter of pledge, lien & authority for securities and personal guarantee of all directors.

Mark-up is payable on quarterly basis, calculated as the average of last seven (7) days' average 3 months KIBOR + 200 basis points per annum.

14.2 These borrowings are secured against lien/pledge over Diversified portfolio of listed securities. Mark-up is payable in arrears on a calendar quarterly basis and the KIBOR + 1% per annum shall be revised on a calendar quarterly basis and is calculated as 3 Months Average.

15. TRADE AND OTHER PAYABLES	2017 Rupees	2016 Rupees
Trade payables	26,690,385	21,545,483
Accrued liabilities	1,281,947	976,433
Workers' welfare fund	-	90,611
	<u>27,972,332</u>	<u>22,612,527</u>

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	Note	2017 Rupees	2016 Rupees
<b>16. DIRECTORS' LOAN</b>			
Mr. Dawood Jan Muhammad	16.1	21,575,000	9,767,988
Mr. Muhammad Yaqoob	16.1	22,577,530	17,398,176
		<b>44,152,530</b>	<b>27,166,164</b>
16.1 This represents unsecured interest free directors' loan to company, payable on demand.			
<b>17. LOAN AND ADVANCES</b>			
Loan payable	17.1	<b>31,999,941</b>	<b>31,999,941</b>
17.1 This represents loan at nil mark-up, payable on demand.			
<b>18. COMMISSION INCOME</b>			
Brokerage commission	18.1	40,631,626	21,907,614
		<b>40,631,626</b>	<b>21,907,614</b>
18.1 Brokerage commission			
Gross brokerage commission		45,950,906	25,473,970
Less: Sales tax and FED		(5,319,280)	(3,566,356)
		<b>40,631,626</b>	<b>21,907,614</b>
<b>19. ADMINISTRATIVE EXPENSE</b>			
Director remuneration		2,520,000	2,070,000
Staff salary and benefits		5,014,656	4,004,952
Utilities		1,981,739	1,893,727
Auditors' remuneration	19.1	200,000	100,000
Rent, rate and taxes		186,302	332,937
Entertainment		731,510	317,590
Printing and stationery		206,840	129,000
Travelling and conveyance		934,698	1,599,365
Repair and maintenance expense		952,260	1,483,832
Fee and subscription charges		13,003,276	7,546,269
Donation		12,000,000	6,905,000
Legal and professional charges		32,000	207,900
Depreciation and amortization	4 & 5.1	1,412,006	277,825
Miscellaneous expenses		1,515,628	237,048
		<b>40,690,915</b>	<b>27,105,445</b>
19.1 Auditors' Remuneration			
Audit fee		150,000	75,000
Certificate charges		50,000	25,000
		<b>200,000</b>	<b>100,000</b>

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	Note	2017 Rupees	2016 Rupees
<b>20. FINANCIAL CHARGES</b>			
Mark-up on bank overdraft		38,011,840	38,046,332
Bank charges		258,987	123,226
		<b>38,270,827</b>	<b>38,169,558</b>
<b>21. OTHER INCOME</b>			
Profit on bank saving accounts	21.1	13,327	212,035
Commission on shares listing		1,324,668	-
Capital gain on sale of investment		389,619,856	50,729,937
Dividend income		57,642,485	40,718,168
		<b>448,600,336</b>	<b>91,660,140</b>
21.1 Mark-up rate on bank profit ranges from 3.7% to 3.82% (2016: 5.50% to 6.00%).			
<b>22. PROVISION FOR TAXATION</b>			
Current for the year		51,378,844	10,393,990
Prior year charge		(3,764,216)	(284,437)
Provision for deferred taxation		87,617	(87,617)
		<b>47,702,245</b>	<b>10,021,936</b>
<b>23. EARNINGS / (LOSS) PER SHARE</b>			
Profit / (loss) for the year		221,639,629	(30,924,295)
Weighted average number of ordinary shares		12,500,000	12,500,000
		<b>17.73</b>	<b>(2.47)</b>
<b>24. CASH AND CASH EQUIVALENT</b>			
Cash and bank balances		27,255,435	22,056,757
Bank overdraft		(469,151,851)	(590,752,632)
		<b>(441,896,416)</b>	<b>(568,695,875)</b>
<b>25. REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>			

	CHIEF EXECUTIVE		DIRECTORS	
	2017	2016	2017	2016
	----- Rupees -----			
Managerial remuneration	640,000	640,000	1,040,000	740,000
House rent allowance	256,000	256,000	416,000	296,000
Utilities	64,000	64,000	104,000	74,000
	<b>960,000</b>	<b>960,000</b>	<b>1,560,000</b>	<b>1,110,000</b>
Number of persons	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>

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**26. NUMBER OF EMPLOYEES**

The number of employees as at June 30, 2017 were 17 (2016: 15) and average number of employees are 16 and (2016: 12).

**27. RELATED PARTY TRANSACTIONS**

The company has a policy whereby all transactions with related parties are entered into at arm's length prices using comparable uncontrollable price method.

Transactions with related parties shown under receivable and payables during the year and their closing balances are as follows:

<u>Name and relation with the related Party</u>	<u>Nature</u>	<u>2017 Rupees</u>	<u>2016 Rupees</u>
REMMCO Builders & Developers Limited - Associate (Formerly Real Estate Modarba Management company Limited)	Loan receivable	-	110,837,000
Mr. Dawood Jan Muhammad - Director	Loan payable	21,575,000	9,767,988
Mr. Muhammad Yaqoob - Director	Loan payable	22,577,530	17,398,176

**28. FINANCIAL ASSETS AND LIABILITIES**

	<u>Mark-up bearing</u>			<u>Non-Mark-up bearing</u>			<u>2017 Total</u>
	<u>Maturity upto one year</u>	<u>Maturity after one year</u>	<u>Sub-Total</u>	<u>Maturity upto one year</u>	<u>Maturity after one year</u>	<u>Sub-Total</u>	
----- Rupees -----							
<b>Financial Assets</b>							
Investment	1,380,643,199	16,029,530	1,396,672,729	-	-	-	1,396,672,729
Long term deposits	-	-	-	-	51,109,925	51,109,925	51,109,925
Trade debts	-	-	-	21,079,255	-	21,079,255	21,079,255
Receivables	-	-	-	389,647,815	-	389,647,815	389,647,815
Cash and bank balances	27,220,898	-	27,220,898	34,537	-	34,537	27,255,435
	<b>1,407,864,097</b>	<b>16,029,530</b>	<b>1,423,893,627</b>	<b>410,761,607</b>	<b>51,109,925</b>	<b>461,871,532</b>	<b>1,885,765,159</b>
<b>Financial Liabilities</b>							
Short term borrowing	469,151,851	-	469,151,851	-	-	-	469,151,851
Trade and other payables	-	-	-	27,972,332	-	27,972,332	27,972,332
Directors' loan	-	-	-	44,152,530	-	44,152,530	44,152,530
Loan and advances	-	-	-	31,999,941	-	31,999,941	31,999,941
Mark-up payable	6,229,501	-	6,229,501	-	-	-	6,229,501
	<b>475,381,352</b>	<b>-</b>	<b>475,381,352</b>	<b>104,124,803</b>	<b>-</b>	<b>104,124,803</b>	<b>579,506,155</b>

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Mark-up bearing			Non-Mark-up bearing			2016 Total
Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year	Sub-Total	

----- Rupees -----

#### Financial Assets

Investment	40,073,830	1,497,989,314	1,538,063,144	-	-	-	1,538,063,144
Long term deposits	-	-	-	-	150,208,656	150,208,656	150,208,656
Trade debts	-	-	-	77,331,514	-	77,331,514	77,331,514
Receivables	-	-	-	5,593,820	-	5,593,820	5,593,820
Cash and bank balances	19,726	-	-	22,037,031	-	22,037,031	22,037,031
	<b>40,093,556</b>	<b>1,497,989,314</b>	<b>1,538,063,144</b>	<b>104,962,365</b>	<b>150,208,656</b>	<b>255,171,021</b>	<b>1,793,234,165</b>

#### Financial Liabilities

Short term borrowing	590,752,632	-	590,752,632	-	-	-	590,752,632
Trade and other payables	-	-	-	22,612,527	-	22,612,527	22,612,527
Directors' loan	-	-	-	27,166,164	-	27,166,164	27,166,164
Loan and advances	-	-	-	31,999,941	-	31,999,941	31,999,941
Mark-up payable	12,188,794	-	12,188,794	-	-	-	12,188,794
	<b>602,941,426</b>	<b>-</b>	<b>602,941,426</b>	<b>81,778,632</b>	<b>-</b>	<b>81,778,632</b>	<b>684,720,058</b>

## 29. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks: market risk (comprising interest rate risk, and other price risk), liquidity risk and credit risk that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

### 29.1 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.

#### - Interest rate risk exposure

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.

#### - 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.

## 29.2 Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under normal circumstances.

## 29.3 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the credit worthiness of the same.

## 30. CAPITAL RISK MANAGEMENT

The company's prime objective of managing capital is to safeguard the company's ability to continue as a going concern so that it can provide benefits to all stakeholders.

In order to maintain the balance of its capital structure the company may consider injecting further equity or issuing fresh debt. The company monitors its capital on the basis of its gearing ratio. Debt is calculated as total borrowings including both long term and short term borrowings. The gearing ratio as at 30 June, 2017 and 2016 was as follows:

	2017 Rupees	2016 Rupees
Total borrowings	469,151,851	590,752,632
Paid up capital	125,000,000	125,000,000
Unappropriated profit	1,267,710,260	1,046,070,631
	<b>1,392,710,260</b>	<b>1,171,070,631</b>
Gearing ratio	<u>25%</u>	<u>34%</u>

## 31. DATE OF AUTHORIZATION

These Financial statements were authorized on 10 OCT 2017 by the Board of Directors of the Company.

## 32. CORRESPONDING FIGURES

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

## 33. GENERAL

Figures have been rounded off to the nearest rupee.

  
Chief Executive Officer

Director