

**MUHAMMAD SALIM KASMANI
SECURITIES
(PRIVATE) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018**

INDEPENDENT AUDITOR'S REPORT

To the members of MUHAMMAD SALIM KASMANI SECURITIES (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flow 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, 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 profit for the year then ended; and other comprehensive income, 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan / Institute of Cost and management Accountants (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.

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 requirement of Companies Act, 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 operation, 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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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;
- b) the statement of financial position, the statement of profit or loss and other comprehensive income or the income and expenditure account, 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 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.

The engagement partner on the audit resulting in this independent auditor's report is **Imran Iqbal**

 UHY Hassan Naeem & Co.

KARACHI

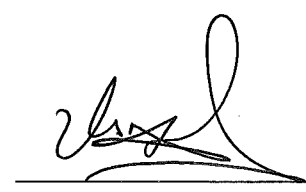
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MUHAMMAD SALIM KASMANI SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 (Rupees)	2017 (Rupees)
<u>ASSETS</u>			
<u>NON CURRENT ASSETS</u>			
Property and equipment	4	5,817,369	6,559,154
Intangible assets	5	2,500,000	5,000,000
Investment - available for sale	6	21,353,582	41,163,833
Long term deposits	7	510,000	14,003,377
		30,180,951	66,726,364
<u>CURRENT ASSETS</u>			
Trade debts - unsecured considered good	8	615,120	6,128,355
Short term investment - Held For Trading	9	65,881,606	42,141,774
Advances, deposits, prepayments & other receivables	10	1,552,980	1,446,625
Loan to staff		60,000	110,000
Cash and bank balances	11	64,788,195	71,772,541
		132,897,902	121,599,295
		<u>163,078,853</u>	<u>188,325,659</u>
<u>EQUITY AND LIABILITIES</u>			
<u>CAPITAL RESERVES</u>			
Authorized capital	12.1	150,000,000	150,000,000
Issued, subscribed and paid-up	12.2	115,000,000	115,000,000
Surplus on revaluation of investment available for sale		4,752,356	11,163,837
Unappropriated Profit		37,806,533	42,480,288
		157,558,890	168,644,125
<u>NON CURRENT LIABILITIES</u>			
Liability against asset subject to finance lease	13	575,045	760,889
<u>CURRENT LIABILITIES</u>			
Trade and other payables	14	4,758,937	18,749,045
Liability against asset subject to finance lease		185,981	171,600
Provision for taxation		-	-
		4,944,918	18,920,645
Contingencies and commitments	15	-	-
		<u>163,078,853</u>	<u>188,325,659</u>

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


Chief Executive



Director

MUHAMMAD SALIM KASMANI SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees)	2017 (Rupees)
Operating revenue	16	4,754,098	9,930,215
Operating and administrative expenses	17	(9,526,543)	(9,049,699)
Impairment - TREC	5.2	(2,500,000)	(10,000,000)
Provision for doubtful debt		-	(403,038)
Operating (Loss)		<u>(7,272,445)</u>	<u>(9,522,522)</u>
Finance cost		(78,575)	(37,096)
Other income	18	<u>3,923,505</u>	<u>27,887,341</u>
NET PROFIT BEFORE TAXATION		(3,427,514)	18,327,723
Taxation	19	(1,246,240)	(1,078,577)
NET PROFIT/(LOSS) AFTER TAXATION		<u>(4,673,755)</u>	<u>17,249,146</u>

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


Chief Executive



Director

MUHAMMAD SALIM KASMANI SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Issued, subscribed and paid-up	Accumulated Profit/(Loss)	Surplus/(Deficit) on investment available for sale	Total
<u>-----Rupees-----</u>				
Balance as at June 30, 2016	115,000,000	25,231,142	-	140,231,142
Net profit for the year	-	17,249,146	-	17,249,146
Surplus/(Deficit) On investment available for sale			11,163,837	11,163,837
Balance as at June 30, 2017	115,000,000	42,480,288	11,163,837	168,644,125
Net profit for the year	-	(4,673,755)		(4,673,755)
Surplus/(Deficit) On investment available for sale	-	-	(6,411,480)	(6,411,480)
Balance as at June 30, 2018	115,000,000	37,806,533	4,752,356	157,558,890

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


Chief Executive



Director

MUHAMMAD SALIM KASMANI SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018 (Rupees)	2017 (Rupees)
Profit for the year	(4,673,755)	17,249,146
Other comprehensive income:		
Unrealised gain on revaluation of investments available for sale	(6,411,480)	11,163,837
TOTAL COMPREHENSIVE INCOME	<u><u>(11,085,235)</u></u>	<u><u>28,412,983</u></u>

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


Chief Executive


Director

MUHAMMAD SALIM KASMANI SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees)	2017 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation		(3,427,514)	18,327,723
<u>Adjustment for non-cash items:</u>			
Depreciation		971,789	745,395
Capital Gain - Realized		(2,240,273)	(24,788,932)
Amortization		-	113,750
Provision for doubtful debts		-	403,038
Dividend income		(3,290,739)	(1,922,312)
Capital Loss/(Gain)- Unrealized		3,989,674	-
Gain-Adjustment of Deposits		-	(100,000)
Interest expense		78,575	37,096
Gain on disposal of fixed assets		-	(543,361)
Impairment-TREC		2,500,000	10,000,000
		<u>2,009,025</u>	<u>(16,055,326)</u>
Operating profit before working capital changes		(1,418,488)	2,272,396
<u>Changes in working capital</u>			
Decrease / (increase) in trade debts		5,513,235	(520,456)
Decrease / (increase) in advances, deposits and prepayments		(106,355)	(133,028)
Decrease / (increase) Loan to staff		50,000	47,500
(Decrease)/Increase in Trade and other payables		(13,990,108)	13,062,319
Net changes in working capital		(8,533,229)	12,456,335
Interest paid		(78,575)	(37,096)
Taxes paid		(1,246,240)	(1,659,606)
Net cash (used in)/generated from operating activities		<u>(11,276,532)</u>	<u>13,032,030</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant & equipment		(230,004)	(1,740,765)
Proceeds from sale of property, plant & equipment		-	460,000.00
Long term deposits		13,493,375	(9,005,109)
Purchase of short term investments		9,409,098	(41,516,150)
Proceeds from sale of long term investments		(21,499,559)	86,617,963
Dividend received		3,290,739	1,922,312
Net cash (used in)/generated from investing activities		4,463,649	36,738,252
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease obligation		(171,463)	(67,011)
Net cash (used in)/generated from financing activities		<u>(171,463)</u>	<u>(67,011)</u>
Net increase in cash and cash equivalent		(6,984,346)	49,703,273
Cash and cash equivalent at beginning of the year		71,772,541	22,069,268
Cash and cash equivalent at end of the year		<u><u>64,788,195</u></u>	<u><u>71,772,541</u></u>

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


Chief Executive


Director

**MUHAMAD SALIM KASMANI SECURITIES
(PRIVATE)LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1 Legal Status and Nature of Business

Muhammad Salim Kasmani Securities (Private) limited was incorporated under the repealed Companies Ordinance, 1984 on June 07, 2006 as a private limited company. The Company is a corporate member of Pakistan Stock Exchange (Guarantee) Limited. The registered office of the company is located at room no. 35, 1st floor, Pakistan Stock Exchange Building, Stock Exchange Road, Karachi. The principal activities of the Company are to carry on the business of share brokerage, under writing of public issues, investment and portfolio management.

2 Basis of Preparation

2.1 Statement of Compliance

The financial statements is prepared in accordance with the provisions of the Companies Act, 2017. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention unless otherwise specifically specified.

2.3 Functional and Presentation Currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Company.

2.4 Critical Accounting Estimates and Judgments

The preparation of financial statements is in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, value of intangibles and provision for doubtful receivables.

2.5 Changes in accounting standards, interpretations and pronouncements

2.5.1 New and Amended Standards and interpretations

The adoption of the new and amended standards, amendments / improvements and interpretations did not have any material effect on these financial statements.

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2.5.2 Standards, Interpretation and Amendments to approved accounting standards that are not yet effective

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

Description effective for periods		Effective for periods beginning on or after
IFRS 2	Share-based Payment - Amendments relating to classification and measurement of Share-based Payment Transactions	January 01, 2018
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or contribution of Assets between an investor and its Associate or Joint Venture	Not yet finalized
IAS 7	Statement of Cash Flows - Amendments relating to Disclosure Initiative	January 01, 2017
IAS 12	Income Taxes - Amendments relating to recognition of Deferred Tax Assets for unrealized losses	January 01, 2017
IFRS 4	Insurance Contract: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)	January 01, 2018
IAS 40	Investment Property: Transfer of Investment Property (Amendments)	January 01, 2018
IFRIC 22	Foreign Currency Transaction and Advance Consideration	January 01, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 01, 2019
IFRS 16	Leases	January 01, 2019

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have material effect on the Company's financial statements in the period of initial application.

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

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

Description effective for periods		Effective for periods beginning on or after
IFRS 9	Financial Instruments	January 01, 2018
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2018
IFRS 16	Leases	January 01, 2019
IFRS 17	Insurance Contract	January 01, 2021

3 Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented.

3.1 Taxation

Income tax expense comprises of current, and prior year. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

3.1.1 Current

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

3.1.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax base and carrying amount of assets and liabilities for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carried forward unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carried forward unused tax losses can be utilized. Carrying amount of all deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

However the company is subject to taxation from next year that is based on transaction volume. As the tax is not levied on the basis of profits therefore deferred tax liability/asset is not recognized.

3.2 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition

of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. Cost incurred to replace a component of an item of property and equipment is capitalized, the asset so replaced is retired from use and its carrying amount is derecognized. Normal repairs and maintenance are charged to the profit and loss account in the period in which they are incurred.

Depreciation on all property and equipment is charged to the profit and loss account using Reducing balance method over the asset's useful life at the rates stated Note no. 4. The depreciation on property and equipment is charged full in the month of acquisition and no depreciation is charged in the month of disposal. Gains or losses on disposal of an item of property and equipment are recognized in the profit and loss account. The assets' residual value and useful life are reviewed at each financial year end, and adjusted if appropriate.

3.3 Intangible Assets

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged using the straight line method over assets estimated useful life at the rates stated therein, after taking into account residual value, if any. The residual values, useful lives and amortization methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Amortization on additions is charged from the month the assets are put to use while no amortization is charged in the month in which the assets are disposed off. Gain and losses on disposal of such assets, if any, are included in the profit and loss account.

3.4 Impairment

3.4.1 Financial Assets

A financial asset, other than that carried at fair value through profit or loss, is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred and that the loss event has a negative effect on the estimated future cash flows of that asset.

In case of investment in equity securities classified as available for sale and measured at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss measured as a difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized, is transferred from other comprehensive income to profit and loss account. Such impairment losses are not subsequently reversed through the profit and loss account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the profit and loss account.

3.4.2 Non-Financial Assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in the profit and loss account. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a pre tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flow have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest

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levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised previously. Reversal of an impairment loss is recognised immediately in profit and loss account.

3.5 Financial Instruments

3.5.1 Financial Assets

The Company classifies its financial assets at initial recognition in the following categories depending on the nature and purpose for which the financial assets were acquired:

At fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

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 those having 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, interest accrued, other receivables, cash and bank balances.

Held to maturity

These are financial assets with fixed or determinable payment and fixed maturity which the Company has positive intent and ability to hold to the maturity.


Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity.

At each balance sheet date, these investments are re-measured at fair value and the resulting gains or losses are recognized directly in equity until the investment is disposed off or impaired at which time these are transferred to the profit and loss account.

Where active market of the quoted investment exists, fair value of quoted investments is determined using quotations of Pakistan Stock Exchange. The investments, for which a quoted market price is not available, are measured at cost, unless fair value can be reliably measured. Such fair value estimates are subjective in nature, and therefore, cannot be determined with precision.

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of investments are recognised and derecognised on trade date (the date on which the Company commits to purchase or sell the asset). Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account.



Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method.

The Company assesses at each reporting date whether there is objective evidence that any investment is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit and loss account as a reclassification adjustment. Impairment losses recognised in the profit and loss account on equity instruments classified as available-for-sale are not reversed through the profit and loss account.

3.5.2 Financial Liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

3.6 Trade and Other Receivables

Trade and other receivables are carried at cost, which is the fair value of the consideration to be received, less provision for doubtful debts, if any. Trade debts and other receivable considered irrecoverable are written off.

3.7 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.

3.8 Provisions

Provisions are recognized when the Company has present obligation (legal or constructive obligation) as a result of a past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate

The amount recognized as provision is the best estimate of consideration required to settle the present obligation at the end of reporting period, taking into account the risk and uncertainties surrounding the obligation.

3.9 Revenue Recognition

- Brokerage income is recognized as and when transaction is executed.
- Mark-up income, return on bank deposits and balances are recognized on accrual basis.

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

3.12 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 cash and bank balance, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change.

3.13 Related Party Transactions

Transactions in relation to sales purchase and services with related parties are made at arm's length price which is determined in accordance with the comparable uncontrolled price method. The related parties comprise of entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors and key management employees.

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MUHAMMAD SALIM KASMANI SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

4. PROPERTY AND EQUIPMENT

Particulars	Cost				Rate %	Depreciation				W.D.V.
	As at July 01, 2017	Additions	Disposal / Write off	As at Jun 30, 2018		As at July 01, 2017	For the year	Disposal / Write off	As at Jun 30, 2018	As at June 30, 2018
-----Rupees-----						-----Rupees-----				
Office Buildings	10,000,000	-	-	10,000,000	10%	6,861,894	313,811	-	7,175,705	2,824,295
Furniture & Fixtures	1,010,142	175,925	-	1,186,067	10%	607,583	43,130	-	650,713	535,354
Computers and Equipments	928,210	16,700	-	944,910	30%	726,179	64,367	-	790,546	154,364
Air Conditioner	224,740	37,379	-	262,119	10%	62,382	19,662	-	82,044	180,075
Motor Vehicles	900,000	-	-	900,000	20%	45,000	171,000	-	216,000	684,000
Leased Vehicle	1,999,000	-	-	1,999,000	20%	199,900	359,820	-	559,720	1,439,280
June 30, 2018	15,062,092	230,004	-	15,292,096		8,502,938	971,789	-	9,474,728	5,817,369
June 30, 2017	13,201,818	3,090,264	(1,229,990)	15,062,092		8,720,893	745,396	(963,351)	8,502,938	6,559,154

5. INTANGIBLE ASSETS

		2018 (Rupees)	2017 (Rupees)
Trading Right Entitlement Certificate (TREC)	5.1	5,000,000	15,000,000
Impairment - TREC	5.2	(2,500,000)	(10,000,000)
		2,500,000	5,000,000

5.1 This represents TREC acquired on surrender of Stock Exchange membership Card. 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.

5.2 Trading Right Entitlement Certificate was revalued as at June 30, 2018 as the carrying value of TREC is more than its recoverable amount therefore, an impairment loss amounted to Rs. 2,500,000 has been recognized due to which carrying value has been reduced to Rs. 2,500,000.

6. INVESTMENT - AVAILABLE FOR SALE

Investment in shares of Pakistan Stock Exchange	6.1	21,353,582	41,163,833
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6.1 This respect 1,081,194 (2017: 1,602,953) shares of Pakistan Stock Exchanges

7. LONG-TERM DEPOSITS

	2018 (Rupees)	2017 (Rupees)
Central Depository Company	100,000	100,000
Deposits in National Clearing Company	400,000	400,000
Receivable from PSX	-	4,488,268
Deposit base minimum capital	-	9,005,109
Deposit in Clearing House	10,000	10,000
	510,000	14,003,377

8	TRADE DEBTS	2018 (Rupees)	2017 (Rupees)
	Trade debts	<u>615,120</u>	<u>6,128,355</u>

9. SHORT TERM INVESTMENT - Held For Trading

Investment in quoted securities	9.1	<u>65,881,606</u>	<u>42,141,774</u>
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9.1 Investment in various equity shares carried at market value.

10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Prepaid insurance	20,154	32,484
Tax refundable	1,313,597	732,568
Advance income tax - net	-	581,029
Prepaid Expense	20,851	100,544
Other Receivable	198,378	-
	<u>1,552,980</u>	<u>1,446,625</u>

11. CASH AND BANK BALANCES

Cash in hand	73,500	73,500
Cash at bank - Current	4,525,238	18,994,698
Saving	60,189,457	52,704,343
	<u>64,788,195</u>	<u>71,772,541</u>

12. SHARE CAPITAL

12.1 AUTHORIZED SHARE CAPITAL

2018	2017		2018 (Rupees)	2017 (Rupees)
Number of Shares		ordinary shares of		
<u>1,500,000</u>	<u>1,500,000</u>	Rs. 100 each	<u>150,000,000</u>	<u>150,000,000</u>

12.2 ISSUED SUBSCRIBED AND PAID-UP

2018	2017		2018	2017
Number of Shares		ordinary shares of		
<u>1,150,000</u>	<u>1,150,000</u>	Rs. 100 each fully paid	<u>115,000,000</u>	<u>115,000,000</u>
		in cash		

12.3 PATTERN OF SHAREHOLDING

	No of shares	%
i Muhammad Salim Kasmani (CEO)	1,149,997	100.0%
ii Usmani Salim Kasmani (Director)	1	0.0%
iii Ahmed Salim Kasmani (Director)	1	0.0%
iv Fareeda Salim Kasmani (Director)	1	0.0%
	<u>1,150,000</u>	

13 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2018		2017	
	Minimum Lease payments	Present Value	Minimum Lease payments	Present Value
(in Rupees)				
Within one year	253,358	185,981	249,852	171,600
After one year but not more than five years	655,267	575,045	895,303	760,889
Later than five years	-	-	-	-
Total minimum lease payments	908,625	761,026	1,145,155	932,489
Less: Amount representing finance charges	67,377	-	(212,666)	-
Present value of minimum lease payments	976,002	761,026	932,489	932,489
Less: Current portion	(185,981)	(185,981)	(171,600)	(171,600)
	790,021	575,045	760,889	760,889

14. TRADE AND OTHER PAYABLE

Credit balances of clients	4,423,375	18,462,644
Accrued expenses	335,562	286,401
	4,758,937	18,749,045

14.1 Credit balances of clients held by the company	4,423,375	18,462,644
Value of Securities of client held by the company	765,043,323	848,644,842
Number of Securities of client held by the company	16,433,627	16,899,278

14.2 No Securities of clients is pledged with Financial Institution.

14.3 No Securities of the company is pledged with Financial Institution.

15. CONTINGENCIES AND COMMITMENTS

15.1 There were no contingencies and commitments as at June 30, 2018.

	2018 (Rupees)	2017 (Rupees)
16. OPERATING REVENUE		
Brokerage income	4,754,098	9,930,215

17. OPERATING AND ADMINISTRATIVE EXPENSES

	2018 (Rupees)	2017 (Rupees)
Salaries and allowances	2,212,000	1,863,000
Directors remuneration	2,984,000	2,984,000
Printing and stationary	50,645	43,950
Utilities	211,073	202,928
Regulatory service charges	247,410	221,122
CDC charges	252,313	305,984
Fees and subscription	46,348	294,620
Vehicle running expenses	29,805	150,604
Entertainment	157,499	143,847
Legal and Professional	75,600	75,600
Depreciation	971,789	745,395
Amortization	-	113,750
Bank charges	113	165
Auditor's remuneration	162,000	195,250
Travelling	74,600	272,000
Miscellaneous	336,710	155,000
Donations	1,500,000	1,250,000
Computer Expense	162,000	-
Insurance	52,638	32,484
	9,526,543	9,049,699

18. OTHER INCOME

Capital Gain - Held For Trading	2,240,273	2,907,141
Capital Gain -Investment Available For Sale	-	21,881,791
Unrealized Capital Loss - Held For Trading	(3,989,674)	-
Profit on bank deposits	2,382,167	632,736
Dividend income	3,290,739	1,922,312
Gain on disposal of fixed assets	-	543,361
	3,923,505	27,887,341

19. TAXATION

The Company has filed return for the tax year 2017. According to Income Tax Ordinance 2001, the return filed is deemed to be an assessment order unless modified by Commissioner of Income Tax.

Provision for taxation

- Current year	1,246,240	1,078,577
- Prior year	-	-
- Deferred	-	-
Net tax charge	1,246,240	1,078,577

19.1

19.1. Deferred tax asset is not recognized as the company is suffering loss from Operations.

20. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

20.1 Financial instrument by category

20.1.1 Financial assets

2018			
	At fair value through profit or loss held for trading	Available for sale	Loans and Receivables
	Total		
Long term loan, advances and deposits	-	-	510,000
Long term investment	-	21,353,582	-
Short term investment	65,881,606	-	-
Trade debts	615,120	-	-
Advances, deposits and prepayments	-	-	1,532,826
Bank balances	-	-	64,788,195
	66,496,726	21,353,582	66,831,021
			154,681,329

2017			
	At fair value through profit or loss held for trading	Available for sale	Loans and Receivables
	Total		
Long term loan, advances and deposits	-	-	14,003,377
Long term investment	-	41,163,833	-
Short term investment	42,141,774	-	-
Trade debts	6,128,355	-	-
Advances, deposits and prepayments	-	-	1,414,141
Bank balances	-	-	71,772,541
	48,270,129	41,163,833	87,190,060
			169,081,525

20.1.2 Financial Liabilities

2018	
Amount	Total
Trade and other Payables	4,758,937
	4,758,937
2017	
Amount	Total
Trade and other Payables	18,749,045
	18,749,045

20.2 Financial risk management

The company primarily invests in marketable securities and are subject to varying degrees of risk.

The Board of Directors of the company has overall responsibility for the establishment and oversight of the company's risk management framework. The company has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk
Operational risk

20.2.1 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, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfil their obligations.

Exposure to Credit risk

Credit risk of the company arises principally from the trade debts, short term investments, loans and advances, deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. The company did not allow credits to its customers and trade are executed on 100% margin.

Credit risk is minimised due to the fact that the company invest only in high quality financial assets, all transactions are settled/paid for upon delivery. The company does not expect to incur material credit losses on its financial assets. The maximum exposure to credit risk at the reporting date is as follows:

	2018	2017
	<i>Rupees</i>	
Long Term deposit	510,000	14,003,377
Long term investments	21,353,582	41,163,833
Short term investments	65,881,606	42,141,774
Trade debts	615,120	6,128,355
Bank Balances	64,714,695	71,699,041
	<u>153,075,003</u>	<u>175,136,380</u>

20.2.1.2 Bank Balances

The Analysis below summarizes the credit quality of the company's bank balance:

	2018	2017
	<i>Rupees</i>	
AA+	1,070,238	910,656
AA-	63,644,457	70,788,384
	<u>64,714,695</u>	<u>71,699,040</u>

20.2.2 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of business.

2018					
	carrying amount	contractual cash flows	up to one year	one to two years	Two to five years
Financial Liabilities					
Trade and other payables	4,758,937	4,758,937	4,758,937	-	-
	<u>4,758,937</u>	<u>4,758,937</u>	<u>4,758,937</u>		

2017					
	carrying amount	contractual cash flows	up to one year	one to two years	Two to five years
Financial Liabilities					
Trade and other payables	18,749,045	18,749,045	18,749,045	-	-
	<u>18,749,045</u>	<u>18,749,045</u>	<u>18,749,045</u>		

On the balance sheet date, the company has cash and bank balances of Rs.64 million (2017: 71 million) and short term investments of Rs 65 million (2017: 42 million) for repayment of liabilities

20.2.3 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 change in credit rating of the issuer or the instrument, management manages market risk by monitoring exposure on marketable securities by following the internal risk management and investment policies and guidelines.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Currently there is no currency risk as all financial assets and liabilities are in PKR.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk. The company is not exposed to interest rate risk as there is no interest based liability or asset.

Other price risk

Other price risk is the risk that fair value or future cash flows of a financial instrument 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 factor affecting all or similar financial instrument traded in the market.

The company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The company manages the equity price through diversification and all instruments are made through surplus funds.

The company is exposed to other price risk on investment in listed shares. The company manages the risk through portfolio diversification, as per recommendation of Investment committee of the company. The committee regularly monitors the performance of investees and assess the financial performance on ongoing basis.

The 10 percent increase/(decrease) in market value of these instruments with all other variables held constant impact on profit and loss account of the company is as follows:

	Before Tax	
	10% Increase	10% Decrease
as at 30th June 2018	8,723,519	(8,723,519)
as at 30th June 2017	8,330,561	(8,330,561)

20.3 Fair value of Financial instruments

The Carrying values of all financial assets and liabilities reflected in these financial statements approximate to their fair value. .

The company annually hold listed assets amounting to Rs 65 million (2017: 42 million) that are recorded at quoted price.

The carrying value of remaining financial assets and liabilities reflected in these financial statements

20.4 Capital risk management

The primary objective of the company's capital risk management is to maintain healthy capital ratios, strong credit rating and optimal capital structure in order to ensure ample availability of finance for its existing operations, for maximizing shareholder's value, for tapping potential investment opportunities and to reduce cost of capital.

The company finances its operations through 100% equity..

21 NUMBER OF EMPLOYEES

As at year end

7	7
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22. DATE OF AUTHORIZATION

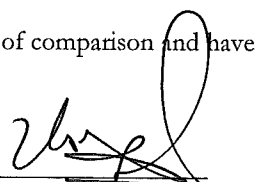
These financial statements have been authorized for issue on 27 SEP 2018 by the Board of Directors of the company.

23. GENERAL

Figures have been rearranged and reclassified wherever necessary, for the purpose of comparison and have been rounded off to the nearest Rupee.

7


Chief Executive


Director