

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

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**To the members of ASDA Securities (Private) Limited**  
**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the annexed financial statements of M/s. **ASDA Securities (Private) Limited**, ("the Company") which comprise of the statement of financial position as at June 30, 2018, and the statement of profit or loss, 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, statement of profit or loss, 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, 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 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 information included in for *Director's Report*, but does not include the financial statements and our auditor's report thereon. 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 is 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.
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- 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, where necessary, with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, 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; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Mohammad Hanif Razzak.

Karachi: October 05, 2018



Kreston Hyder Bhimji & Co  
Chartered Accountants

**ASDA Securities (Private) Limited**  
**Statement of Financial Position**  
**As at June 30, 2018**

	Note	2018	2017
		-----Rupees-----	
<b>ASSETS</b>			
<b>Non-Current assets</b>			
Property, Plant and Equipment	6	10,885,927	8,768,520
Intangible Assets	7	766,669	966,669
Long Term Investments	8	7,914,575	10,290,958
Long Term Loan to Staff		744,500	91,000
Long Term Deposits	9	1,505,109	1,505,109
		21,816,780	21,622,256
<b>Current Assets</b>			
Trade Debts	10	60,766,613	144,349,105
Loans and Advances	11	138,000	12,009,427
Trade Deposits and Prepayments	12	9,930,652	53,958,541
Short term invesments	13	298,720,450	285,871,258
Bank Balances	14	10,802,424	12,513,349
		380,358,140	508,701,680
<b>TOTAL ASSETS</b>		<b>402,174,920</b>	<b>530,323,936</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
<b>Authorized Capital</b>			
15,000,000 (2017: 15,000,000) ordinary shares of Rs. 10/- each		150,000,000	150,000,000
Issued, Subscribed and Paid-up capital	15	140,000,000	140,000,000
Unappropriated profit		28,939,218	104,553,457
		168,939,218	244,553,457
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	96,425,739	81,363,445
Accrued markup	17	2,683,601	3,041,060
Short term borrowings -secured	18	134,126,361	201,365,974
Provision for taxation - less payments		-	-
		233,235,702	285,770,479
Contingencies and commitments	19	-	-
		402,174,920	530,323,936

The annexed notes 1 to 33 form an integral part of these financial statements

  
**Chief Executive**

  
**Director**



**ASDA Securities (Private) Limited**  
**Statement of Profit or Loss**  
**For The Year Ended June 30, 2018**

	Note	2018	2017
		-----Rupees-----	
Operating Revenues	20	30,849,966	45,868,664
Unrealized gain on remeasurement of listed shares		1,681,379	1,832,939
Realized Profit on sale of PSX shares		-	43,279,731
Realized Profit / (Loss) on sale of Listed Share		(38,471,780)	8,839,481
		(5,940,434)	99,820,815
Administrative Expenses	21	36,367,319	27,013,844
Other operating Expenses	22	572,380	1,175,006
Finance Cost	23	13,956,572	14,056,676
		50,896,271	42,245,526
Other Income - Gain on disposal of property, plant & equipment		90,679	-
Profit before taxation		(56,746,027)	57,575,289
Provision for taxation	24	(9,362,701)	(12,179,318)
<b>(Loss) / Profit after taxation</b>		<b>(66,108,728)</b>	<b>45,395,971</b>
<b>Other Comprehensive Income</b>			
Fair value (loss) / gain on initial recognition of available for sale investments		(9,505,512)	25,134,303
<b>Total Comprehensive (Loss) / Income</b>		<b>(75,614,239)</b>	<b>70,530,274</b>
<b>(Loss) / Earning Per Share - Basic and diluted</b>		<b>(4.72)</b>	<b>3.24</b>

The annexed notes 1 to 33 form an integral part of these financial statements

  
**Chief Executive**

  
**Director**

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**ASDA Securities (Private) Limited**  
**Statement of Changes in Equity**  
**For The Year Ended June 30, 2018**

	Issued, Subscribed and Paid up Capital	Un-appropriated Profit	Total
	-----Rupees-----		
Balance as at July 01, 2016	140,000,000	34,023,183	174,023,183
Total Comprehensive income for the year	-	70,530,274	70,530,274
Balance as at June 30, 2017	<u>140,000,000</u>	<u>104,553,457</u>	<u>244,553,457</u>
Total Comprehensive loss for the year	-	(75,614,239)	(75,614,239)
Balance as at June 30 2018	<u><u>140,000,000</u></u>	<u><u>28,939,218</u></u>	<u><u>168,939,218</u></u>

The annexed notes 1 to 33 form an integral part of these financial statements



**Chief Executive**



**Director**

**ASDA Securities (Private) Limited**  
**Statement of Cash Flows**  
**For The Year Ended June 30, 2018**

	Note	2018	2017
		-----Rupees-----	
<b>Cash flows From Operating activities</b>			
Cash flow from operations	25	108,553,435	(11,750,497)
Finance cost paid		(14,314,031)	(13,744,235)
Long term deposits		-	(1,000,300)
Long term loan to employees		(653,500)	(9,000)
Income tax Paid		(6,321,274)	(12,329,882)
<b>Net Cash (used in)/generated from operating activities</b>		<u>87,264,630</u>	<u>(38,833,914)</u>
<b>Cash flows From Investing Activities</b>			
Additions to property , plant and equipment		(7,139,000)	(2,330,000)
Sales proceed of disposal in property, plant and equipment		3,700,000	-
Disposal in long term investments		-	67,324,031
Short term Investments - net		(18,296,942)	(96,238,794)
<b>Net Cash (used in)/generated from investing activities</b>		<u>(21,735,942)</u>	<u>(31,244,763)</u>
<b>Cash flows From Financing Activities</b>			
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>65,528,688</u>	<u>(70,078,677)</u>
Cash and cash equivalent at beginning		(188,852,625)	(118,773,948)
Cash and cash equivalent at end	26	<u>(123,323,937)</u>	<u>(188,852,625)</u>

The annexed notes 1 to 33 form an integral part of these financial statements



**Chief Executive**



**Director**



**ASDA Securities (Private) Limited**  
**Notes to the Financial Statements For The Year Ended June 30, 2018**

**1 The Company and its operation**

The company was incorporated under the Companies Ordinance, 1984 on 24th June, 2006 as a Private Limited Company. The company is principally engaged in the business of equity brokerage, equity research and corporate finance advisory. The registered office of the company is situated at office no NB-406,407,408, 4th Floor new stock exchange building, Karachi.

**2 Statement of compliance**

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

- International Financial Reporting Standards for small and medium size Entities (IFRSs for SMEs) 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 for SMEs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**3 Significant Transactions And Events Affecting The Company'S Financial Position And Performance**

Due to the applicability of Companies Act, 2017 certain disclosures of the financial statements have been presented in accordance with the fifth schedule notified by the Securities and Exchange commission of Pakistan vide S.R.O 1169 dated November 7, 2017.

Operating revenue (brokerage commission) from customers has decreased significantly during the year. The major reason for loss of revenue is the loss of overall individual investors' confidence in the stock market, which is evident from decrease in PSX 100 index.

Company has incurred significant losses in its short term investments in current year as compared to gain in last year.

**4 BASIS OF PREPARATION**

**4.1 Basis of measurement**

These financial statements comprise of statement of financial position, Statement of profit or loss, statement of comprehensive income, statement of changes in equity and statements of cash flows together with explanatory notes forming part thereof and have been prepared under the 'historical cost convention' except as has been specifically stated below in respective notes.

**4.2 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Company and rounded off to the nearest rupee.

**4.3 Critical Accounting estimates and judgments:**

The preparation of financial statements requires management to make judgments, estimates and assumption that have an effect on the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on the historical experience and various factors that are believe to be reasonable under the circumstances. the result of which the basis of making judgment about the carrying amount of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

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

- (a) Recognition of taxation and deferred taxation (note 5.6);
- (b) Determining the residual values and useful lives of property and equipment (note 5.1);
- (c) Impairment of financial assets (note 5.4); and
- (d) Classification of Investments.

## **5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **5.1 Property and Equipment**

Operating fixed assets are stated at cost less accumulated depreciation and impairment loss, if any.

Depreciation on all fixed assets is charged to profit and loss account applying the reducing balance method whereby the cost of an assets is written off over its estimated useful life at rates given in note no 6. A Monthly's depreciation is charged on additions while no depreciation is charged on assets disposed during the month.

Maintenance and normal repairs are charged to profit and loss account, as and when incurred. Gain or loss on disposal of fixed assets is included is recognized as income in the year of disposal.

### **5.2 Capital work in Progress:**

Capital work in progress, if any, is stated at cost.

### **5.3 Intangible assets**

Intangible asset is recognized as an asset if it is probable that future economic benefit attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Amortization is charged to profit and loss account on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. All intangible assets are systematically tested for impairment at each balance sheet date. A full year's amortization is charged on additions while no depreciation is charged on assets disposed during the year.

#### **a) Membership Card and Offices**

Membership cards, room and booth are stated at cost of acquisition. Provision is made annually in the accounts for permanent diminution, if any, in the value of this assets. During the year upon demutualization of the Karachi Stock Exchange Limited the changes effected has been recorded which are stated in respective notes.

#### **b) Computer Software**

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

Computer Software and License are stated at cost less accumulated amortization and any identified impairment loss.

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

### **5.4 Investments**

#### **At fair value through profit or loss**

These represent Investments in equity instruments, are valued at lower of cost and fair value, determined on an aggregated basis. The fair value of these investments representing listed equity securities is determined on the basis of year-ended bid prices.

#### **Investments - Available for sale**

Available for sale investment are initially recognized at fair value plus attributable transactions costs. Subsequent to initial recognition these are measured at fair value, with any resultant gain or loss being recognized in other comprehensive income. Gains or losses on available for sale investments are recognized 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 reported in other comprehensive income is included in current period's profit and loss account.



#### **5.5 Trade debts**

Trade debts originated by the company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

#### **5.6 Taxation**

##### **Current :**

Provision for current taxation in the accounts is based on 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 alternate corporate tax, whichever is higher.

##### **Deferred :**

The Company accounts for deferred taxation arising on all temporary differences by using the liability method but does not account for net deferred tax asset unless the realization whereof is certain in foreseeable future.

#### **5.7 Trade and other payables**

Liabilities for trade and other amount payables are carried at cost which is the fair value of the consideration to be paid in future for good and services.

#### **5.8 Provisions**

A provision is recognized in the financial statements when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

#### **5.9 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents consist of cash in hand and balances with banks.

#### **5.10 Financial instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

#### **5.11 Financial assets and liabilities**

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, or amortized cost, as the case may be.

#### **5.12 Offsetting of financial assets and liabilities**

All financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

#### **5.13 Borrowings**

Borrowings are recorded at the amount of proceeds received.

#### **5.14 Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

#### **5.15 Related party transactions**

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates on the same terms and conditions.

#### **5.16 Revenue recognition**

- a) Brokerage, commission, consultancy fees and other income are recognized as and when services are provided
  - b) Dividend income is recognized when the right to receive the dividend is established.
  - c) Gains/(Loss) arising on sale of investments are included in the profit and loss account in the period in which they arise by following trade date basis.
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## 6 Property, Plant and Equipment

### Net Carrying value basis - June 30, 2018

Opening net book value	258,530	71,890	6,077,847	2,360,253	8,768,520
Additions (at Cost)	-	-	1,919,000	5,220,000	7,139,000
Disposals (NBV)	-	-	(1,856,321)	(1,909,321)	(3,765,642)
Depreciation charge	(25,853)	(21,567)	(884,187)	(324,343)	(1,255,951)
Closing net book value	232,677	50,323	5,256,339	5,346,588	10,885,927

### Gross Carrying value basis - June 30, 2018

Cost	437,824	427,740	7,136,187	5,700,000	13,701,751
Accumulated depreciation	(205,147)	(377,417)	(1,879,848)	(353,412)	(2,815,824)
Net book value - 2018	232,677	50,323	5,256,339	5,346,588	10,885,927

### Net Carrying value basis - June 30, 2017

Opening net book value	287,256	102,700	5,028,350	1,983,424	7,401,730
Additions (at Cost)	-	-	1,850,000	480,000	2,330,000
Depreciation charge	(28,726)	(30,810)	(800,503)	(103,171)	(963,210)
Closing net book value	258,530	71,890	6,077,847	2,360,253	8,768,520

### Gross Carrying value basis - June 30, 2017

Cost	437,824	427,740	7,400,187	2,677,700	10,943,451
Accumulated depreciation	(179,294)	(355,850)	(1,322,340)	(317,447)	(2,174,931)
Net book value - 2017	258,530	71,890	6,077,847	2,360,253	8,768,520

### Depreciation rates

2018				
Furniture and fittings	Computers	Vehicles	Office at KSE Building	Total
-----Rupees-----				
258,530	71,890	6,077,847	2,360,253	8,768,520
-	-	1,919,000	5,220,000	7,139,000
-	-	(1,856,321)	(1,909,321)	(3,765,642)
(25,853)	(21,567)	(884,187)	(324,343)	(1,255,951)
232,677	50,323	5,256,339	5,346,588	10,885,927
2017				
Furniture and fittings	Computers	Vehicles	Office at KSE Building	Total
-----Rupees-----				
287,256	102,700	5,028,350	1,983,424	7,401,730
-	-	1,850,000	480,000	2,330,000
(28,726)	(30,810)	(800,503)	(103,171)	(963,210)
258,530	71,890	6,077,847	2,360,253	8,768,520
437,824	427,740	7,400,187	2,677,700	10,943,451
(179,294)	(355,850)	(1,322,340)	(317,447)	(2,174,931)
258,530	71,890	6,077,847	2,360,253	8,768,520
10%	30%	15%	5%	

### 5.1 Assets disposed off during the year through negotiation

Particulars	Cost	Accumulated Depreciation	WDV	Sales Proceeds	Gain / (Loss) on Disposal
Office Room 58 ,1st floor Stock Exchange Building sold to Multiline Securities (Pvt) Limited	2,197,700	288,379	1,909,321	2,000,000	90,679
Toyota Prius Sold to Oasis general trading	2,183,000	326,679	1,856,321	1,700,000	(156,321)
Total	4,380,700	615,058	3,765,642	3,700,000	(65,642)

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	Note	2018	2017
		-----Rupees-----	
<b>7 INTANGIBLE ASSETS</b>			
Membership Entitlements			
Pakistan Stock Exchange Limited TREC	7.1 & 8.1	200,000	200,000
		200,000	200,000
<b>Computer Software</b>			
Computer software - Purchase Cost		-	26,400
less: Amortization during the year (1/5th amortization)		-	(26,400)
		-	-
Computer software - Back office		766,669	966,667
less: Amortization during the year (1/5th amortization)		(200,000)	(199,998)
		566,669	766,669
		766,669	966,669
7.1 During 2016 Pakistan Stock Exchange Limited has been demutualized and in terms whereof it's members have been allowed in exchange of membership," Trading Right Entitlement Certificate (TREC)" along with shareholding in Pakistan Stock Exchange Ltd. The Company has recorded the value of membership in the KSE at Rs.50.5 Million as Intangibles while Pakistan Stock Exchange vide letter no: KSE/SECP-2013/1 have indicated notional value whereof at Rs. 15 Million. The Company have however allocated the carrying value/cost to the TREC at Rs.10.426 Million and taken the balance to the value of Pakistan Stock Exchange Limited shares. Fair value of the TREC has been re-evaluated and impairment loss amounting to Rs 10.226 Million being difference of projected bid price of TREC and recorded value has been provided for.			
<b>8 LONG TERM INVESTMENTS</b>			
Available for Sale			
400,738 (2017: 1,602,953) Shares of Rs. 10 each of Pakistan Stock Exchange Limited	7.1 & 8.1	10,290,958	41,163,833
Less: Investment classified in short term investment		-	(30,872,875)
Less: Remeasurement loss		(2,376,383)	-
		7,914,575	10,290,958
8.1 Face value of shares allotted by Pakistan Stock Exchange Limited in lieu of membership of the PSX works out at Rs.40.074 Million, while the recorded value of the membership card as Intangible asset was Rs. 50.5 Million, however the company have recorded the face value of the shares allotted and classified as available for sale and will follow the re-measurement method upon initiation of active market for these shares. In accordance with the demotulization policy 60% of allotted shares 2,404,430 have been kept in blocked account with Central Depository Company of Pakistan Limited while 1,602,953 shares are credited to Companies CDC account. While, 521,759 shares transferred from frozen to available during the year.			
<b>9 LONG TERM DEPOSITS</b>			
Deposit with Pakistan Stock Exchange Ltd		200,000	200,000
Deposit with CDC Pakistan Ltd		100,000	100,000
Deposit with National Clearing Company of Pak Ltd		1,200,000	1,200,000
Base Minimum Capital Requirement PSX		5,109	5,109
		1,505,109	1,505,109

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	Note	2018	2017
		-----Rupees-----	
<b>10 TRADE DEBTS</b>			
Unsecured			
Considered Good	10.1	<u>60,766,613</u>	<u>144,349,105</u>
		<u>60,766,613</u>	<u>144,349,105</u>
<b>10.1 Ageing analysis of amount due from customers</b>			
Not exceeding 5 days from trade date		2,034,489	42,422,103
Exceeding 5 days but not exceeding 14 days		<u>36,685,489</u>	<u>36,751,991</u>
		<u>38,719,978</u>	<u>79,174,094</u>
Exceeding 14 days against which listed securities held		<u>22,046,635</u>	<u>65,175,011</u>
Value after Hair cut applied on the basis of VAR		<u>21,634,052</u>	<u>23,017,744</u>
<b>11 LOANS AND ADVANCES-Considered good, Unsecured</b>			
Current Portion of Long term loan to staff		138,000	9,000
Purchase of car - Honda Atlas Cars Ltd.		-	8,959,000
Advance Income tax - net of provisions		-	3,041,427
		<u>138,000</u>	<u>12,009,427</u>
<b>12 TRADE DEPOSITS AND OTHER RECEIVABLES</b>			
Trade deposits - ( NCCPL - Ready Exposure Margin )		3,300,000	500,000
Trade deposits - ( NCCPL - MTS Exposure Margin )		1,750,575	20,755,368
Trade deposits - ( NCCPL - Future Exposure / Losses in DFC )		1,971,815	4,848,900
Receivable from Stock Exchange		221,855	4,488,268
Receivable from PSX Proceed of 20% Shares		-	22,441,342
Receivable from NCPL Against Trading Settlements		1,476,692	-
Other Receivable from Chief Executive		-	924,663
Others		1,209,715	-
		<u>9,930,652</u>	<u>53,958,541</u>
<b>13 SHORT TERM INVESTMENTS</b>			
At fair value through profit or loss			
In Listed Companies	13.1	<u>274,976,704</u>	<u>247,750,383</u>
Un-Listed Company - For New Subscription of Loads Ltd		-	7,248,000
		<u>274,976,704</u>	<u>254,998,383</u>
<b>Available for Sale Investment:</b>			
Pakistan Stock Exchange Limited			
1,202,215 (2017: 1,202,215) Shares of Rs. 10 each	8.1	<u>23,743,746</u>	<u>30,872,875</u>
		<u>298,720,450</u>	<u>285,871,258</u>
<b>13.1 In Listed Shares</b>			
Cost of Investments including held under MTS		<u>273,295,325</u>	<u>245,917,444</u>
Unrealized remeasurement gain		<u>1,681,379</u>	<u>1,832,939</u>
		<u>274,976,704</u>	<u>247,750,383</u>
Value of shares held in CDC house or customers		<u>420,341,229</u>	<u>755,859,847</u>
Value of shares under pledge house and sponsors/Family members		<u>96,257,009</u>	<u>374,573,725</u>

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		2018	2017
		-----Rupees-----	
<b>14</b>	<b>BANK BALANCES</b>		
	Js Bank Ltd - K.S.E Branch (Client A/c) - Stock Exchange Br	10,752,375	9,472,222
	NIB Bank Ltd (Client A/c) - Stock Exchange Br	-	25,950
	Meezan Bank Ltd (Client A/c) - Stock Exchange Br	22,809	115,810
	Cash at bank - Client's current accounts balances	10,775,184	12,486,308
	MCB Bank Ltd - K.S.E Branch	17,431	16,330
	NIB Bank Ltd (O/D) - K.S.E Branch	-	70,365
	Summit Bank Ltd - K.S.E Branch	500	1,000
	Meezan Bank Ltd (O/D) - K.S.E Branch	9,310	9,810
	Cash at bank - Current Accounts	27,241	27,041
		<u>10,802,424</u>	<u>12,513,349</u>
<b>15</b>	<b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
	2018	2017	
	4,500,000	4,500,000	Allotted for consideration paid in cash
	9,500,000	9,500,000	Allotted for consideration other than cash,
			(Conversion of KSE membership)
	<u>14,000,000</u>	<u>14,000,000</u>	<u>140,000,000</u>
			<u>140,000,000</u>
<b>16</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Creditors for sale of shares on behalf of clients	16.1	10,776,184
	MTS unreleased payable		83,624,313
			94,400,497
	Traders share in commission payable	16.2	476,719
	Accrued Expenses		489,386
	Other Liabilities	16.3	1,059,137
			<u>96,425,739</u>
			<u>81,363,445</u>
16.1	This includes an amount of Rs. 12,253 (2017: Rs. 6,640) payable to director.		
16.2	This includes Rs. Nil (2017: Rs.4,742,193) payable to Chief Executive.		
<b>16.3</b>	<b>Other Liabilities</b>		
	Withholding tax	4,759	-
	Sindh sales tax on IPO Income	32,178	26,299
	Sindh sales tax on commission	193,281	374,564
	Workers welfare fund	828,919	828,919
		<u>1,059,137</u>	<u>1,229,782</u>

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		2018	2017
		-----Rupees-----	
<b>17 ACCRUED MARKUP</b>			
Accrued mark-up on running finance - secured		<u>2,683,601</u>	<u>3,041,060</u>
<b>18 SHORT TERM BORROWINGS -Secured</b>			
<b>Secured, Markup Bearing</b>			
Running finances from bank	18.1	134,126,361	201,365,974
		<u>134,126,361</u>	<u>201,365,974</u>

**18.1** The facilities for running finance available from a commercial banks aggregating to Rs.300 Million (June-2017 : Rs.300 million) and carry mark-up at the rate 3 M Kibor + 200 points spread (June-2017 : 3 M. Kibor + 200 pints spread ) per annum calculated on a daily product basis chargeable and payable quarterly. These arrangements are secured against pledge/hypothecation of marketable securities, movable assets, and collaterally secured by equitable mortgage of property owned by sponsors valuing Rs 90 Million and personal guarantee of all the directors.

Value of shares under pledge with lending banks - House Account	<u>74,492,134</u>	<u>139,780,637</u>
Value of shares under pledge with lending banks - Sponsors/Family m	<u>21,764,875</u>	<u>234,793,088</u>

**19 Contingencies and Commitments**

There were no guarantees given by the company on behalf of any related party during the year.

There were no contingencies and commitments at the year end.

		2018	2017
		-----Rupees-----	
<b>20 OPERATING REVENUES</b>			
Brokerage Revenue - Securities - net of brokerage shares	20.1	<u>26,108,784</u>	61,686,286
Income From Margin Finance		<u>2,749,210</u>	-
Income From Exposure Deposits NCCPL - MTS		<u>354,171</u>	505,760
Income From Exposure Deposits NCCPL - RMS		<u>219,396</u>	174,710
Income From New script Commission (IPO)		<u>64,557</u>	25,500
Income From Cash Exposure Margin		<u>6,964</u>	-
		<u>29,503,082</u>	62,392,256
Less: Trader's shares in brokerage		<u>(8,023,424)</u>	(20,832,004)
		<u>21,479,658</u>	41,560,252
Dividend Income		<u>9,370,308</u>	4,308,412
		<u>30,849,966</u>	<u>45,868,664</u>
<b>20.1 Brokerage revenue:</b>			
From Proprietary trade		<u>7,396,930</u>	31,785,236
From Retail customers		<u>18,049,891</u>	29,052,662
From Institutional customers		<u>661,963</u>	848,388
		<u>26,108,784</u>	<u>61,686,286</u>

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		2018	2017
		-----Rupees-----	
<b>21 ADMINISTRATIVE AND OPERATING EXPENSES</b>			
Salaries and benefits		12,499,000	9,769,004
Fees, subscription and charges		4,653,063	5,186,662
Communication		332,496	386,645
Conveyance and Travelling Expenses		2,651,640	2,145,660
KSE IT and Kats		228,550	273,681
Utilities		381,968	175,290
Office repairs and maintenance		780,893	3,508,586
Software Maintenance		1,035,244	303,830
General Expenses		1,482,546	807,203
Printing and stationery / Courier Service		38,300	35,813
Rent, rates & Taxes		175,500	171,336
Computer Expenses		184,050	267,822
Insurance		46,500	46,500
Entertainment		700,679	438,159
Mobile Expenses		137,200	342,000
Shared cost of PSX IPO		-	442,245
Donation	21.1	1,250,000	1,425,000
Bad Debts written off		8,078,619	-
Amortization of Intangibles		200,000	226,398
Depreciation		1,255,951	963,210
Loss on disposal of property, plant & equipment		156,321	-
Auditors' Remuneration	21.2	98,800	98,800
		<u>36,367,319</u>	<u>27,013,844</u>
<b>21.1</b>	None of the directors or their had any interest in donee's fund while none of the beneficiary received amount exceeding Rs 500,000.		
<b>21.2 Auditors' Remuneration</b>			
Audit fees		50,000	50,000
Certifications fees		48,800	48,800
		<u>98,800</u>	<u>98,800</u>
<b>22 OTHER OPERATING EXPENSES</b>			
Workers welfare fund		-	1,175,006
Others		572,380	-
		<u>572,380</u>	<u>1,175,006</u>
<b>23 FINANCE COST</b>			
Mark-up on short term running finances		13,956,572	14,056,676
		<u>13,956,572</u>	<u>14,056,676</u>
<b>24 TAXATION</b>			
Current - for the year		11,304,400	12,179,318
Prior years		(1,941,699)	
		9,362,701	12,179,318
Deferred-(Reversal)/Charge	24.1	-	-
		<u>9,362,701</u>	<u>12,179,318</u>

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- 24.1 In view of deductible temporary differences, deferred tax asset arose which has not been recognized in view of remote possibility of realization due to final tax regime applicability on capital gains and lower normal tax regime profitability.

**25 CASH FLOW FROM OPERATION ACTIVITIES**

Profit before taxation	(56,746,027)	57,575,289
<b>Adjustments for non -cash charges and other items</b>		
Depreciation	1,255,951	963,210
Amortization of intangible	200,000	226,398
Gain on disposal of property, plant & equipment	(90,679)	-
Loss on disposal of property, plant & equipment	156,321	-
Unrealized loss on remeasurement of shares	(1,681,379)	(1,832,939)
Gain on disposal of long term investments	-	(43,279,731)
Finance cost	13,956,572	14,056,676
	<u>13,796,786</u>	<u>(29,866,386)</u>
<b>Operating profit before working capital changes</b>	<b>(42,949,240)</b>	<b>27,708,903</b>
<b>Changes in working capital</b>		
Trade debts-unsecured	83,582,492	(4,221,179)
Loans and advances	8,830,000	(8,816,000)
Trade deposits, prepayments & other receivables	44,027,889	(35,149,281)
	<u>136,440,381</u>	<u>(48,186,460)</u>
<b>Increase /(Decrease) in Current liabilities</b>		
Trade and other payables	15,062,294	8,727,060
	<u>108,553,435</u>	<u>(11,750,497)</u>

**26 CASH AND CASH EQUIVALENTS**

Cash and bank balances	10,802,424	12,513,349
Short term finances	(134,126,361)	(201,365,974)
	<u>(123,323,937)</u>	<u>(188,852,625)</u>

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## 27 FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets and Liabilities of the company, interest and non interest bearing, along with their maturities are as follows:

	2018					
	Markup / Interest Bearing		Non Markup / Interest Bearing		Total	
	Maturity Upto One Year	Maturity after One Year	Sub Total	Maturity Upto One Year	Maturity after One Year	
<b>FINANCIAL ASSETS</b>						
Long Term deposits	-	-	-	-	1,505,109	1,505,109
Trade Debts	-	-	-	60,766,613	-	60,766,613
Investments	-	-	-	298,720,450	7,914,575	306,635,025
Loans and advances	-	-	-	138,000	744,500	882,500
Trade deposits	7,022,390	-	7,022,390	1,698,547	-	1,698,547
Bank Balances	-	-	-	10,802,424	-	10,802,424
	7,022,390	-	7,022,390	372,126,035	10,164,184	382,290,219
						389,312,609

## FINANCIAL LIABILITIES

Trade and other payables	-	-	-	96,425,739	-	96,425,739
Short-term borrowing	134,126,361	-	134,126,361	-	-	134,126,361
Accrued Markup	-	-	-	2,683,601	-	2,683,601
	134,126,361	-	134,126,361	99,109,341	-	99,109,341
						233,235,702

	2017					
	Markup / Interest Bearing		Non Markup / Interest Bearing		Total	
	Maturity Upto One Year	Maturity after One Year	Sub Total	Maturity Upto One Year	Maturity after One Year	
<b>FINANCIAL ASSETS</b>						
Long Term deposits	-	-	-	-	1,505,109	1,505,109
Trade Debts	-	-	-	144,349,105	-	144,349,105
Investments	-	-	-	285,871,258	10,290,958	296,162,216
Loans and advances	-	-	-	9,000	91,000	100,000
Trade deposits	26,104,268	-	26,104,268	27,854,273	-	53,958,541
Bank Balances	-	-	-	12,513,349	-	12,513,349
	26,104,268	-	26,104,268	470,596,985	11,887,067	482,484,052
						508,588,320
<b>FINANCIAL LIABILITIES</b>						
Trade and other payables	-	-	-	81,363,445	-	81,363,445
Short-term borrowing	201,365,974	-	201,365,974	-	-	201,365,974
Accrued Markup	-	-	-	3,041,060	-	3,041,060
	201,365,974	-	201,365,974	84,404,505	-	84,404,505
						285,770,479

The effective interest/markup rates for the financial assets and liabilities are mentioned in respective notes to the financial statements. While commission chargeable on off balance sheet items is chargeable as advised by the banks.

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## 28 FINANCIAL INSTRUMENTS

### 28.1 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company's activities expose it to a certain financial risks:

- Credit risk
- Liquidity risk
- Market risk (including currency risk, interest rate risk and other price risk)

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

Risk management is carried out by the Board of Directors (the Board) under policies approved by the board. The Board provides formal principles for overall risk management, as well as significant policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

The information about the company's exposure to each of the above risk, the company's objectives, policies and procedures for measuring and managing risk, and the company's management of capital, is as follows;

#### a) Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company manages credit risk inter alia by limiting advances and credit to individual customers based on their credit worthiness, obtaining advance against exposure, obtaining collaterals where considered necessary and making appropriate provision for doubtful receivables.

#### Exposure to credit Risk

Company's credit risk is mainly attributable to loans and advances, balances with banks and financial institutions, and credit exposure to customers, including trade receivables and committed transactions. The maximum exposure of the company to credit risk is as follows:

	2018	2017
	Rupees	
Long term Investments	7,914,575	10,290,958
Long Term deposits	1,505,109	1,505,109
Long term loan	744,500	91,000
Trade Debts	60,766,613	144,349,105
Short term investments	298,720,450	285,871,258
Loans and advances	138,000	9,000
Trade deposits	8,720,937	53,958,541
Bank Balances	10,802,424	12,513,349
	<u>389,312,609</u>	<u>508,588,320</u>

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**Loans and advances**

These loans and advances are essentially due from employees and are usually adjustable against their salaries and retirement benefit balances. The Company regularly pursues for the recovery of these and the Company does not expect these employees will fail to meet their obligations. Hence the company believes that no impairment allowance is necessary in respect of loans.

**Trade Debts and Investments**

Trade debts are against client shareholding in listed securities which are actively traded in the market and realizable amounts are worked out, while for the differential margin are made and recovered. Similarly investments mainly represents shareholding in listed securities which are actively traded in the market and realizable amounts are worked out, while for the differential re-measurement differences are instantly recorded.

**Trade Deposits**

These are given to PSX/NCCPL which are prime regulator and enjoys sound creditability.

**Bank balances**

The company maintains balances with banks that have good and stable credit rating. Given these credit ratings, management does not expect that any counter party will fail to meet their obligations.

**b) Liquidity risk**


Liquidity risk represent the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. Contractual maturities of financial liabilities, including interest payments excluding the impact of netting arrangements, are shown in the Note 27.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The management forecasts liquidity risks on the basis of expected cash flow considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements.

**c) Market Risk**

Market risk is the risk that the fair value or future cash flows 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 risks: Foreign Exchange / Currency risk, interest rate risk and other price risk. The company is directly exposed to other price risk and interest rate risk only.



**Foreign exchange / Currency risk**

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arise mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange. The Company is not exposed to the risk.

**Interest / Markup rate risk**

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in the interest / mark-up rates. The exposure to interest rate risk is mainly arises in respect of variable markup / interest bearing long term and short borrowings from banks. The Company's net exposure to markup/interest rate risk is as follows;

	2018	2017
	Rupees	
Short term borrowings	<u>134,126,361</u>	<u>201,365,974</u>
	<u>134,126,361</u>	<u>201,365,974</u>

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have (increased) / decreased profit for the year by Rs. 1,341,264 (2017: Rs. 2,013,660). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

**d) Other price risk**

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest or currency rate risk), whether those changes are caused by factors specified to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is exposed to equity price risk which is managed and mitigated by keeping sufficient exposure from the client's of the brokerage house.

At reporting date if the share price of investment at fair value through profit or loss had strengthened/weakened by 10% with all other variables held constant, pre tax profit for the year would have been higher/lower by the amount shown below.

	2018	2017
	Rupees	
Effect on profit and investment	<u>27,497,670</u>	<u>24,775,038</u>
Effect on other comprehensive income and investment	<u>3,165,832</u>	<u>4,116,383</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets/liabilities of the Company.

**28.2 Fair value of Financial Assets and liabilities**

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value except those which are described in policy notes.

**29 CAPITAL RISK MANAGEMENT**

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other shareholders and to maintain an optimal capital structure to reduce the cost of capital.

During year the Company's strategy was to maintain gearing. The gearing ratio as at balance sheet date is as follows:

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	2018	2017
	Rupees	
Total interest bearing borrowings	134,126,361	201,365,974
Cash at bank	(10,802,424)	(12,513,349)
Net debt	123,323,937	188,852,625
Total equity	168,939,218	244,553,457
Total capital	292,263,155	433,406,082
Gearing ratio	42.20%	43.57%

**30 REMUNERATION TO CHIEF EXECUTIVE AND DIRECTORS**

	Chief Executive		Executive	
	2018	2017	2018	2017
Remuneration	3,000,000	3,000,000	1,200,000	1,200,000
Bonus	250,000	250,000	100,000	100,000
Tradee's shares in brokerage	5,650,250	5,194,413	-	-
	8,900,250	8,444,413	1,300,000	1,300,000
Number of persons	1	1	1	1

	Director	
	2018	2017
Remuneration	875,000	600,000
Bonus	75,000	50,000
Tradee's shares in brokerage	1,969,284	-
	2,919,284	650,000
Number of persons	1	1

In addition to above the Chief Executive and Director is allowed company maintained car for business and personnel use.

**31 NO OF EMPLOYESS**

	2018	2017
As on balance sheet date	19	16
Average during the year	18	14

The Company has yet to formulate employees retirement benefit policy which is underway.

**32 DATE OF AUTHORIZATION FOR ISSUE**

The financial statements were authorized for issue by the Board of Directors on October 05, 2018.

**33 GENERAL**

Figures have been rounded off to the nearest rupee. 14



Chief Executive



Director



### Directors Report

Your Directors are pleased to welcome you at the Annual General Meeting and present Annual Audited Financial statements for the year ended 30-June-2018. During the year company's business remained positive as is evident from the profit because of capital gain which is attributable to the stringent efforts of our team members.

<b>Financial Results</b>	<b>(Rupees)</b>
Loss after taxation	(66,108,728)
Brought forward Profit	104,553,457
Loss carried forward	(75,614,239)
Loss Earning Per Shares	(4.72)

### **Future Prospectus**

Your directors project for growth in brokerage business of the company as during the last year appetite for securities and investment activities of the county will likely to persist as well in the year to come and that will enable your company to penetrate and grab its due market share with the innovations and ideas of IT technology.

### **Recommendation**

In view of the business growth requiring financing no recommendations as to dividend has been proposed by the directors.

The auditor's M/s. KRESTON HYDER BHIMJI & CO., Chartered Accountants retire and being has been eligible offers the for reappointment.

We acknowledge the dedication, loyalty support of the shareholders at all the times.

For and on behalf of Board of Directors

Karachi the: **October 05, 2018**

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**Aftab Sattar**

(Chief Executive)

