

AUDITED

# FINANCIAL STATEMENT

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For the  
**Year 2019**



**Oriental Securities  
Private Limited**

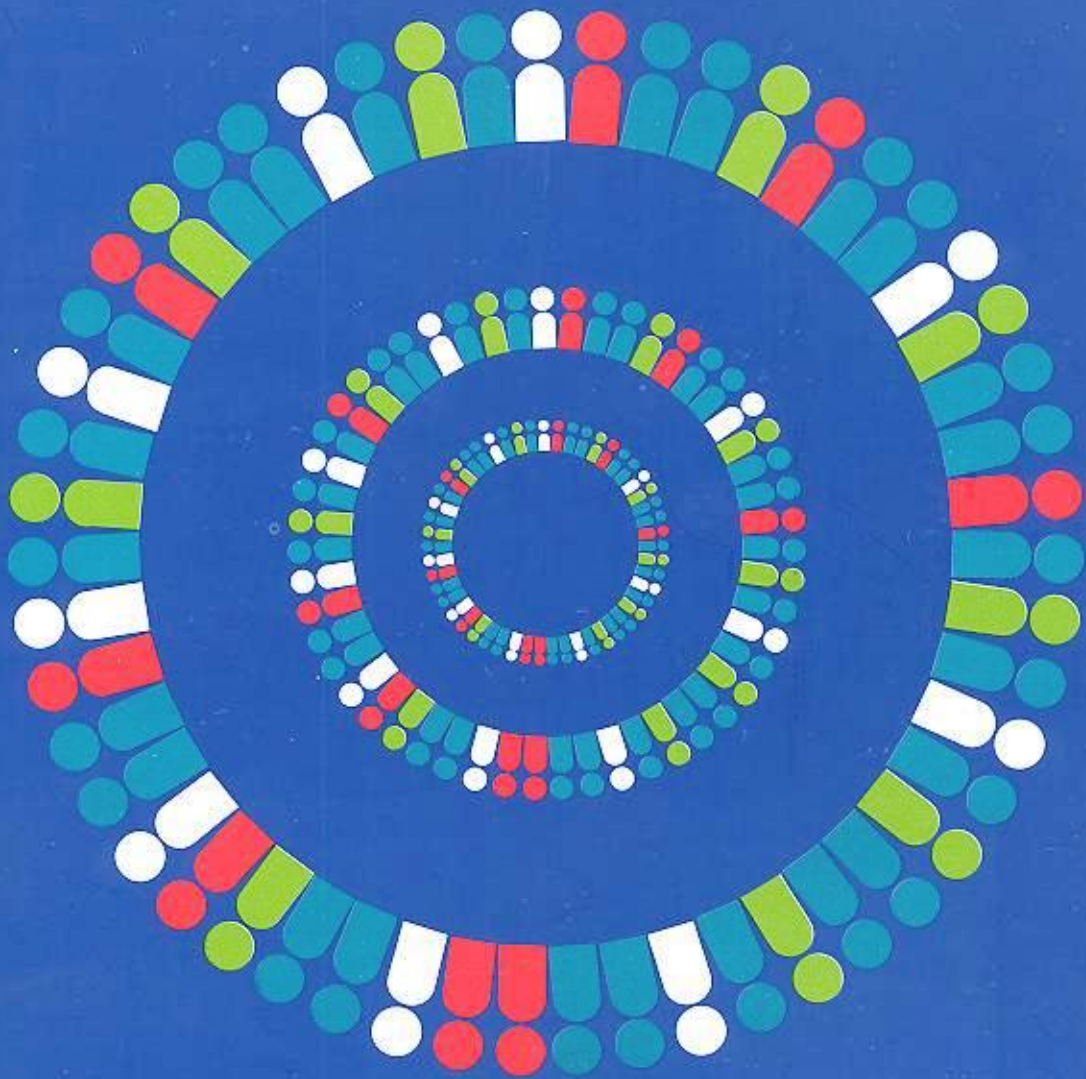
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**Oriental Securities (Private)  
Limited**  
**Financial statements**  
**For the year ended**  
**June 30, 2019**





# ORIENTAL SECURITIES (PVT.) LTD.

CORPORATE STOCK BROKERAGE HOUSE – PAKISTAN STOCK EXCHANGE LTD. KARACHI  
TREC NO. 148, SECP BROKER REGISTRATION NO. BRP-115  
NTN: 1336933-4, SNTN: S1336933-4

## DIRECTORS' REPORT

The Board of Directors take pleasure in presenting Annual Report and the Audited Financial Statements for the year ended June 30, 2019 together with the Audit Report thereon.

### OPERATING RESULTS

Operating results of the Company are noted below:

|  | Amount in Rupees |
|--|------------------|
| Profit / (Loss) before taxation        | (8,954,096/-)    |
| Profit / (Loss) after taxation         | (9,437,701/-)    |
| Un-appropriated Profit brought forward | 78,310,358/-     |
| Un-appropriated Profit carried forward | 68 872 656/-     |

Brokerage commission / operating revenue of the company increased from Rs.12,343,332/- to Rs.17,086,454/-.

### AUDITORS

The present auditors UHY Hassan Naeem & Co. Chartered Accountants retire and offer themselves for reappointment for the Year 2020.

### ACKNOWLEDGMENT

On behalf of the board, I would like to place on record the deep and sincere appreciation of the staff members for devoted services rendered by them and also for their loyalty to the Company.

For and on behalf of the Board of Directors

*Basharat Ullah Khan*  
Basharat Ullah Khan  
Chief Executive

Karachi

Dated: 03 OCT 2019



## INDEPENDENT AUDITOR'S REPORT

To the members of **ORIENTAL SECURITIES (PRIVATE) LIMITED**

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statement of **ORIENTAL SECURITIES (PRIVATE) LIMITED**, which comprise the statement of financial position as at **June 30, 2019** 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, 2019 and of the loss 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 enables 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, 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

DATE: 03<sup>RD</sup> October 2019



**ORIENTAL SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2019**

|  | Note | 2019<br>(Rupees)   | 2018<br>(Rupees)   |
|--|------|--------------------|--------------------|
| <b><u>ASSETS</u></b>   |      |                    |                    |
| <b><u>NON CURRENT ASSETS</u></b>   |      |                    |                    |
| Property and equipment   | 4    | 4,492,151          | 3,385,418          |
| Intangible assets  | 5    | 2,500,000          | 2,500,000          |
| Investment at fair value through other comprehensive income                    | 6    | 7,917,558          | 12,028,598         |
| Long term deposits   | 7    | 1,536,497          | 1,536,497          |
|  |      | 16,446,207         | 19,450,513         |
| <b><u>CURRENT ASSETS</u></b>   |      |                    |                    |
| Trade debts - unsecured considered good  | 8    | 3,983,823          | 1,144,727          |
| Investment At fair value through profit and loss account                       | 9    | 24,678,392         | 24,211,716         |
| Investment in Margin Financing   |      | 5,140,650          | 7,922,064          |
| Advances, deposits, prepayments and other receivables                          | 10   | 40,568,923         | 46,840,092         |
| Cash and bank balances   | 11   | 42,840,437         | 53,899,523         |
|  |      | 117,212,225        | 134,018,122        |
|  |      | <u>133,658,432</u> | <u>153,468,635</u> |
| <b><u>EQUITY AND LIABILITIES</u></b>   |      |                    |                    |
| <b><u>CAPITAL RESERVES</u></b>   |      |                    |                    |
| Authorized capital   | 12.1 | 50,000,000         | 50,000,000         |
| Issued, subscribed and paid-up capital   | 12.2 | 35,028,000         | 35,028,000         |
| Unappropriated profit  |      | 68,872,656         | 78,310,358         |
| Surplus/(Deficit) -Investment at fair value through other comprehensive income |      | 1,827,129          | 5,938,169          |
|  |      | 105,727,785        | 119,276,527        |
| <b><u>NON-CURRENT LIABILITIES</u></b>  |      |                    |                    |
| Gratuity payable   | 13   | -                  | 139,500            |
|  |      | -                  | 139,500            |
| <b><u>CURRENT LIABILITIES</u></b>  |      |                    |                    |
| Trade and other payable  | 14   | 27,930,647         | 34,052,608         |
|  |      | 27,930,647         | 34,052,608         |
| Contingencies and commitments  | 15   | <u>133,658,432</u> | <u>153,468,635</u> |

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

*Banani*  
*nee Khan*  
 Chief Executive

*Amal K. Khan*  
 Director

**ORIENTAL SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF PROFIT AND LOSS**  
**FOR THE PERIOD ENDED JUNE 30, 2019**

|  | Note | 2019<br>(Rupees)   | 2018<br>(Rupees) |
|--|------|--------------------|------------------|
| Operating revenue                        | 16   | 17,086,454         | 12,343,332       |
| Operating and administrative expenses    | 17   | (21,532,616)       | (15,205,527)     |
| Impairment - TREC                        | 5.2  | -                  | (2,500,000)      |
| Loss Allowance                           |      | (205,342)          | -                |
| Other income                             | 18   | (4,302,592)        | 7,563,510        |
| <b>NET PROFIT/(LOSS) BEFORE TAXATION</b> |      | <b>(8,954,096)</b> | <b>2,201,315</b> |
| Taxation                                 | 19   | (483,605)          | (1,780,474)      |
| <b>NET PROFIT/(LOSS) AFTER TAXATION</b>  |      | <b>(9,437,701)</b> | <b>420,841</b>   |

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

*Banaraj*  
*Wally Khan*  
 Chief Executive

*Arif M. Khan*  
 Director



ORIENTAL SECURITIES (PRIVATE) LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED JUNE 30, 2019

|   | 2019<br>(Rupees)    | 2018<br>(Rupees)   |
|---|---------------------|--------------------|
| Profit/(loss) for the year  | (9,437,701)         | 420,841            |
| <b>Other comprehensive income:</b>  |                     |                    |
| Unrealised gain/(loss) on revaluation of Investment - Fair Value Through other comprehensive income | (4,111,040)         | (3,725,771)        |
| <b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>  | <u>(13,548,742)</u> | <u>(3,304,930)</u> |

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

*Bahadur Hussain Khan*

Chief Executive

*Shahid Hussain Khan*

Director

ORIENTAL SECURITIES (PRIVATE) LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED JUNE 30, 2019

|  | Issued,<br>subscribed and<br>paid-up capital | Accumulated<br>Profit/(Loss) | Surplus/(Deficit) on<br>Investment<br>Available for sale | Total       |
|--|--|------------------------------|--|-------------|
| <u>-----Rupees-----</u>  |  |                              |  |             |
| Balance as at June 30, 2017  | 35,028,000                                   | 77,889,517                   | 14,327,533   | 127,245,050 |
| Net profit / (loss) for the year   | -  | 420,841                      | -  | 420,841     |
| Unrealised gain/(loss) on<br>revaluation of Investment - fair<br>value Through OCI | -  | -                            | (8,389,364)  | (8,389,364) |
| Balance as at June 30, 2018  | 35,028,000                                   | 78,310,358                   | 5,938,169  | 119,276,527 |
| Net profit/(loss) for the year   |  | (9,437,701)                  |  | (9,437,701) |
| Unrealised gain/(loss) on<br>revaluation of Investment - fair<br>value Through OCI |  |                              | (4,111,040)  | (4,111,040) |
| Balance as at June 30, 2019  | 35,028,000                                   | 68,872,657                   | 1,827,129  | 105,727,786 |

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

*Banaraj*  
\_\_\_\_\_  
Chief Executive

*Shree Kishan*  
\_\_\_\_\_  
Director



**ORIENTAL SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOW**  
**FOR THE PERIOD ENDED JUNE 30, 2019**

|   | Note | 2019<br>(Rupees) | 2018<br>(Rupees) |
|---|------|------------------|------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                    |      |                  |                  |
| Profit/(loss) before taxation                                 |      | (8,954,096)      | 2,201,315        |
| <u>Adjustment for non-cash items:</u>                         |      |                  |                  |
| Depreciation  |      | 500,009          | 623,725          |
| Unrealized (gain)/loss on remeasurement of investments        |      | 11,052,406       | (106,964)        |
| Unrealized (gain)/loss on reclassification of investments     |      | -                | (2,865,623)      |
| Capital Gain - Realized on short term investment              |      | (22,575)         | (495,975)        |
| Dividend income   |      | (1,538,145)      | (917,501)        |
| Gain on disposal of fixed assets                              |      | (48,056)         | -                |
| Impairment-TREC   |      | -                | 2,500,000        |
| Operating profit before working capital changes               |      | 9,943,639        | (1,262,338)      |
| <u>Changes in working capital</u>                             |      |                  |                  |
| Decrease / (increase) in trade debts                          |      | (2,839,096)      | 762,989          |
| Decrease / (increase) in advances, deposits and prepayments   |      | 7,852,159        | (1,429,565)      |
| Decrease / (increase) Investment in Margin Financing          |      | 2,781,414        | -                |
| (Decrease) / increase in loan to director                     |      | -                | (3,712,000)      |
| (Decrease) / increase in trade and other payable              |      | (6,121,961)      | 6,494,748        |
| Net changes in working capital                                |      | 1,672,516        | 2,116,172        |
| Gratuity paid   |      | (139,500)        | (134,000)        |
| Taxes paid  |      | (2,064,595)      | (2,138,173)      |
| Net cash (used in)/generated from operating activities        |      | 457,963          | 782,976          |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                    |      |                  |                  |
| Acquisition of property, plant and equipment                  |      | (2,472,687)      | (2,000,812)      |
| Proceeds from sale of property, plant & equipment             |      | 914,000          | -                |
| Acquisition/Disposal of short term investments - net of sales |      | (11,496,506)     | (13,880,199)     |
| Dividend received   |      | 1,538,145        | 917,501          |
| Long-term deposits  |      | -                | (500,000)        |
| Net cash (used in)/generated from investing activities        |      | (11,517,048)     | (15,463,510)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |      |                  |                  |
| Net cash (used in)/generated from financing activities        |      | -                | -                |
| Net increase in cash and cash equivalent                      |      | (11,059,085)     | (14,680,534)     |
| Cash and cash equivalent at beginning of the year             |      | 53,899,523       | 68,580,057       |
| Cash and cash equivalent at end of the year                   |      | 42,840,437       | 53,899,523       |

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

*Banaraj*  
*neeles*  
 Chief Executive

*Amal Kishor*  
 Director

**ORIENTAL SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1 Legal Status and Nature of Business**

Oriental Securities (Private) limited was incorporated under the repealed Companies Ordinance, 1984 on June 27, 2001 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. 731-732, 7<sup>th</sup> 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 company has adopted IFRS 09 Financial 09 "Financial Instruments" and IFRS 15 "Revenue from Contract with Customers" w.e.f from July 1 2018. Related Changes in accounting policy and impact on company's financial statements are explained.

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 |
|-----------------------------------|--|---|
| IAS 1                             | Presentation of financial statements (Amendments)                            | January 01, 2020                            |
| IAS 08                            | Accounting policies, changes in accounting estimates and errors (Amendments) | January 01, 2020                            |
| IAS 19                            | Employee Benefits (Amendments)   | January 01, 2019                            |
| IAS 12                            | Income Taxes – (Amendments)  | January 01, 2019                            |
| IAS 23                            | Borrowing Costs (Amendments)   | January 01, 2019                            |
| IFRS 03                           | Business Combinations (Amendments)   | January 01, 2020                            |
| IFRS 09                           | Financial Instruments (Amendments)   | January 01, 2019                            |
| IFRIC 23                          | Uncertainty over income tax  | January 01, 2019                            |
| IFRS 11                           | Joint Arrangements (Amendments)  | 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 01                           | First time adoption of International Financial Reporting Standards | July 01, 2009                               |
| IFRS 14                           | Regulatory Deferral Accounts                                       | January 01, 2016                            |
| IFRS 17                           | Insurance Contract   | January 01, 2022                            |

### 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.

#### 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 Straight line 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 of. Gain and losses on disposal of such assets, if any, are included in the profit and loss account.

### **3.4 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 pretax 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 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**

##### **Classification:**

Effective July 1, 2018, the Company classifies its financial assets in the following measurement categories:

- i) Amortized cost where the effective interest rate method will apply;
- ii) fair value through profit or loss;
- iii) fair value through other comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in statement of profit or loss or other comprehensive income (OCI). For investment in equity instruments that are not held for trading, this will depend on whether the Company has made



an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Company reclassifies debt investments when and only when its business model for managing those assets changes.

#### **Recognition and derecognition:**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commit to purchase or sell the asset. Further financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### **Measurement:**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of profit or loss.

#### **Debt Instruments:**

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

##### **Amortised Cost:**

Assets that are held for collection of contractual cash flows where the contractual terms of the financial assets give rise on specified dates to cash flows that represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

##### **Fair value through other comprehensive income (FVTOCI):**

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the contractual terms of the financial asset give rise on specified dates to cash flows that represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit or loss and recognised in other income. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and impairment expenses are presented as separate line item in the statement of profit or loss.

##### **Fair value through profit and loss (FVTPL):**

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. Gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the statement of profit or loss and presented in finance income/cost in the period in which it arises.



### **Equity Instruments:**

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

### **Impairment of financial assets**

Effective July 1, 2018, the Company assess on a historical as well as forward-looking basis, the expected credit loss (ECL) as associated with its debt instruments, trade debts, short term investment and deposits and other receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

- Trade debts
- Deposits and other receivables
- Short term investments
- Cash and bank balances

#### **(i) General approach for short term investment, deposits and other receivables and cash And bank balances.**

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses. Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

#### **Significant increase in credit risk**

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increase in credit risk on other financial instruments of the same debtor; and
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable



### **Definition of default:**

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company). Irrespective of the above analysis, in case of trade debts, the Company considers that default has occurred when a the debt is more than 181 days past due, unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### **Credit - impaired financial assets:**

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

#### **(ii) Simplified approach for trade debts:**

The Company recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Trade debts with individually significant balance are separately assessed for ECL measurement. All other trade debts are grouped and assessed collectively based on shared credit risk characteristics and the days past due. To measure ECL, trade debts have been grouped by amounts due from individual customers, corporate customers and other miscellaneous customer groups based on similar credit risk characteristics and ages. The expected credit losses on these financial assets are estimated using a provision matrix approach based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.



#### **Recognition of loss allowance:**

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

#### **Write-off:**

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

### **3.5.2 Financial Liabilities**

#### **Classification, initial recognition and subsequent measurement:**

Financial liabilities are classified in the following categories:

- fair value through profit or loss; and
- Other financial liabilities.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in case of other financial liabilities also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

- a) Fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities held-for trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

- b) Other financial liabilities:

After initial recognition, other financial liabilities which are interest bearing subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in profit or loss for the year, when the liabilities are derecognized as well as through effective interest rate amortisation process.

#### **Derecognition of financial liabilities:**

The Company derecognises financial liabilities when and only when the Company's obligations are discharged, cancelled or expire.

### **Offsetting financial assets and financial liabilities:**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### **3.6 Trade Debts:**

Trade debts are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade debts are recognised and carried at the original invoice amounts, being the fair value, less an allowance for uncollectible amounts, if any. As explained in note 8 to these financial statements, for measurement of loss allowance for trade debts, the Company applies IFRS 9 simplified approach to measure the expected credit losses, previously loss allowance was measured under incurred loss model of IAS 39.

### **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 at a point in time 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.
- 




### **3.10 Cash and Cash Equivalents**

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, bank balances and highly liquid short term investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### **3.11 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.



**ORIENTAL SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED JUNE 30, 2019**

**4. PROPERTY PLANT AND EQUIPMENT**

| Particulars           | Cost                |                  |                         |                    | Rate % | Depreciation        |                |                         |                    | W.D.V.             |
|-----------------------|---------------------|------------------|-------------------------|--------------------|--------|---------------------|----------------|-------------------------|--------------------|--------------------|
|                       | As at July 01, 2018 | Additions        | Disposals/<br>write off | As at Jun 30, 2019 |        | As at July 01, 2018 | For the year   | Disposals/<br>write off | As at Jun 30, 2019 | As at Jun 30, 2019 |
| -----Rupees-----      |                     |                  |                         |                    |        | -----Rupees-----    |                |                         |                    |                    |
| Office Building       | 3,000,000           | -                | -                       | 3,000,000          | 10%    | 3,000,000           | -              | -                       | 3,000,000          | -                  |
| Office Equipment      | 675,583             | -                | (100,520)               | 575,063            | 15%    | 453,639             | 33,291.60      | (86,959)                | 399,972            | 175,091            |
| Furniture and fixture | 172,665             | -                | (18,500)                | 154,165            | 15%    | 155,152             | 2,627          | (15,869)                | 141,910            | 12,255             |
| Vehicles              | 5,840,103           | 2,435,687        | (1,746,500)             | 6,529,290          | 15%    | 2,834,660           | 419,041        | (901,979)               | 2,351,723          | 4,177,567          |
| Computer Equipment    | 1,656,684           | 37,000           | (819,360)               | 874,324            | 30%    | 1,552,373           | 39,618         | (814,130)               | 777,862            | 96,462             |
| Generators            | 96,000              | -                | -                       | 96,000             | 15%    | 59,793              | 5,431          | -                       | 65,224             | 30,776             |
| <b>June 30, 2019</b>  | <b>8,441,035</b>    | <b>2,472,687</b> | <b>(2,684,880)</b>      | <b>8,228,842</b>   |        | <b>5,055,617</b>    | <b>500,009</b> | <b>(1,818,936)</b>      | <b>3,736,691</b>   | <b>4,492,151</b>   |
| <b>June 30, 2018</b>  | <b>6,440,223</b>    | <b>2,000,812</b> | <b>-</b>                | <b>8,441,035</b>   |        | <b>4,431,892</b>    | <b>623,725</b> | <b>-</b>                | <b>5,055,617</b>   | <b>3,385,418</b>   |

The Property is mortgage in favour of JS Bank Limited to secure financial facility

**5. INTANGIBLE ASSETS**

|  |     |                  |                  |
|--|-----|------------------|------------------|
| Trading Right Entitlement Certificate (TREC) | 5.1 | 5,000,000        | 5,000,000        |
| Impairment - TREC                            | 5.2 | (2,500,000)      | (2,500,000)      |
|  |     | <u>2,500,000</u> | <u>2,500,000</u> |

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 TREC Certificate may only be transferred once the company intending to carry out shares brokerage business in the manner to be prescribed.

5.2 The carrying value of TREC as at 30 June 2018, 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 - FAIR VALUE THROUGH OCI**

|   |     |           |            |
|---|-----|-----------|------------|
| Investment in shares of Pakistan Stock Exchange | 6.1 | 7,917,558 | 12,028,598 |
|---|-----|-----------|------------|

6.1 This represents 609,043 (2018: 609,043) shares of Pakistan Stock Exchange.

**7. LONG-TERM DEPOSITS**

|                             |                  |                  |
|-----------------------------|------------------|------------------|
| Neepl Basic Deposit         | 200,000          | 200,000          |
| Neepl Ready Market Deposit  | 200,000          | 200,000          |
| Neepl Future Market Deposit | 1,000,000        | 1,000,000        |
| CDC Deposit                 | 100,000          | 100,000          |
| Other Deposits              | 36,497           | 36,497           |
|                             | <u>1,536,497</u> | <u>1,536,497</u> |



|                     |     | 2019<br>(Rupees) | 2018<br>(Rupees) |
|---------------------|-----|------------------|------------------|
| 8. TRADE DEBTS      |     |                  |                  |
| Trade debts         | 8.1 | 4,189,165        | 1,144,727        |
| Less Loss Allowance | 8.2 | (205,342)        | -                |
|                     |     | <u>3,983,823</u> | <u>1,144,727</u> |

8.1 This includes Rs. 2,485,577 that is secured against quoted Securities of clients.

8.2 Movement in loss allowance

|                               |                |          |
|-------------------------------|----------------|----------|
| Opening balance under IAS 39  | -              | -        |
| Opening Balance under IFRS 09 | -              | -        |
| Loss Allowance for the year   | 205,342        | -        |
| Balance at the year end       | <u>205,342</u> | <u>-</u> |

9. INVESTMENT AT FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT

|                                 |      |                   |                   |
|---------------------------------|------|-------------------|-------------------|
| Investment in quoted securities | 9.1. | <u>24,678,392</u> | <u>24,211,716</u> |
|---------------------------------|------|-------------------|-------------------|

9.1 Investment in various equity shares carried at market value.

10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

|  |                   |                   |
|--|-------------------|-------------------|
| Advance tax                                    | 1,580,990         | 357,700           |
| Income tax refundable                          | 7,637,646         | 7,279,946         |
| Neepl - Ready Market Exposure                  | 14,430,000        | 27,509,000        |
| Neepl - Future Market Exposure                 | 14,990,000        | 6,605,000         |
| Neepl - Profit held of Future Market           | 1,261,460         | 425,670           |
| Clearing House Deposit                         | 540,660           | 957,250           |
| Advances to employees                          | 119,354           | 136,534           |
| Deposit for vehicle with Indus motors          | 8,813             | -                 |
| Receivable from MIB - Against Neepl Obligation | -                 | 3,568,992         |
|  | <u>40,568,923</u> | <u>46,840,092</u> |

11. CASH AND BANK BALANCES

|              |                   |                   |
|--------------|-------------------|-------------------|
| Cash in hand | 143,035           | 574,412           |
| Cash at bank | 42,697,402        | 53,325,111        |
|              | <u>42,840,437</u> | <u>53,899,523</u> |

## 12. SHARE CAPITAL

### 12.1 AUTHORIZED SHARE CAPITAL

| 2019             | 2018             |                                   | 2019              | 2018              |
|------------------|------------------|-----------------------------------|-------------------|-------------------|
| Number of Shares |                  |                                   |                   |                   |
| <u>5,000,000</u> | <u>5,000,000</u> | ordinary shares of<br>Rs. 10 each | <u>50,000,000</u> | <u>50,000,000</u> |

### 12.2 ISSUED SUBSCRIBED AND PAID-UP CAPITAL

| 2019             | 2018             |   | 2019              | 2018              |
|------------------|------------------|---|-------------------|-------------------|
| <u>3,502,800</u> | <u>3,502,800</u> | ordinary shares of<br>Rs. 10 each fully paid<br>in cash | <u>35,028,000</u> | <u>35,028,000</u> |

| Pattern of Shareholding                         | No of shares     | Percentage of<br>Holding |
|---|------------------|--------------------------|
| i Basharat Ullah Khan (Chief Executive Officer) | 1,821,330        | 52.0%                    |
| ii Asad Ullah Khan (Director)                   | 840,672          | 24.0%                    |
| iii Naveed Ullah Khan (Director)                | 840,672          | 24.0%                    |
| iv Naveeda Basharat (Others)                    | 126              | 0.0%                     |
|   | <u>3,502,800</u> |                          |

No changes in shareholding above 5 %

## 13. GRATUITY PAYABLE

|                               | 2019<br>(Rupees) | 2018<br>(Rupees) |
|-------------------------------|------------------|------------------|
| Opening balance               | 139,500          | 273,500          |
| Benefits paid during the year | (139,500)        | (134,000)        |
|                               | <u>139,500</u>   | <u>139,500</u>   |

## 14. TRADE AND OTHER PAYABLE

|                            | 2019              | 2018              |
|----------------------------|-------------------|-------------------|
| Credit balances of clients | 27,536,956        | 33,576,326        |
| Accrued Expenses           | 283,691           | 351,282           |
| Auditor remuneration       | 110,000           | 125,000           |
|                            | <u>27,930,647</u> | <u>34,052,608</u> |

|   |                   |                   |
|---|-------------------|-------------------|
| 14.1 Credit balances of clients held by the company | <u>27,536,956</u> | <u>33,576,326</u> |
|---|-------------------|-------------------|

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, 2019.

16. REVENUE FROM CONTRACT WITH CUSTOMERS

|                   |                  |                  |
|-------------------|------------------|------------------|
| Brokerage Revenue | 17,086,454       | 12,343,332       |
|                   | 2019<br>(Rupees) | 2018<br>(Rupees) |

17. OPERATING AND OTHER EXPENSES

|                                 |            |            |
|---------------------------------|------------|------------|
| Directors Remuneration          | 4,880,000  | 1,956,000  |
| Salaries to staff               | 12,595,000 | 6,934,515  |
| EOBI Expense                    | 123,750    | 162,360    |
| Communication charges           | 295,614    | 317,036    |
| CDC charges                     | 167,207    | 182,547    |
| Stationery expense              | 242,181    | 142,884    |
| Travelling expenses             | 142,113    | 24,793     |
| Entertainment expenses          | 108,658    | 185,391    |
| Equipment, Repair & maintenance | 64,597     | 21,988     |
| Software consultancy            | 276,000    | 283,550    |
| Vehicle running expense         | 297,470    | 226,204    |
| Depreciation expense            | 500,009    | 623,725    |
| Insurance expense               | 125,412    | 92,607     |
| Bad debts written off           | -          | 101,994    |
| Dealer commission               | 407,121    | 2,876,723  |
| Rent, rates and taxes           | 197,350    | 130,025    |
| Fees and subscription           | 428,222    | 283,035    |
| Postage and courier             | 6,402      | 11,850     |
| Utility expense                 | 369,781    | 325,729    |
| Bank Charges                    | 188,705    | 190,130    |
| Auditors remuneration           | 110,000    | 125,000    |
| Miscellaneous expenses          | 7,024      | 7,441      |
|                                 | 21,532,616 | 15,205,527 |

18. OTHER INCOME

|  |              |           |
|--|--------------|-----------|
| Unrealized Capital Gain - Held For Trading         | (11,052,406) | 106,964   |
| Realized Capital Gain - Held For Trading           | 22,575       | 495,975   |
| Unrealized Gain for Reclassification of PSX Shares | -            | 2,865,623 |
| Profit on bank deposits                            | 3,815,409    | 2,976,537 |
| Profit on Cash Margin                              | 1,303,505    | -         |
| Dividend Income                                    | 1,538,145    | 917,501   |
| Gain/(Loss) on Disposal                            | 48,056       | -         |
| Other  | 22,124       | 200,910   |
|  | (4,302,592)  | 7,563,510 |

## 19 TAXATION

2019  
(Rupees)

2018  
(Rupees)

The Company has filed return for the tax year 2018. 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

- Prior year

- Deferred

Net tax charge

19.1

|         |           |
|---------|-----------|
| 483,605 | 1,780,474 |
| -       | -         |
| -       | -         |
| 483,605 | 1,780,474 |

19.1 The Company has tax losses in the previous years, on which deferred tax asset will arise. However, as there is continuous losses on account of operating income therefore deferred tax asset has not been recorded.

## 20 FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

### 20.1 Financial instrument by category

#### 20.1.1 Financial assets

|                                       | 2019   |                           |                   |             |
|---------------------------------------|--|---------------------------|-------------------|-------------|
|                                       | At fair value through profit or loss account | At fair value through OCI | At Amortized Cost | Total       |
| Long term loan, advances and deposits | -  | -                         | 1,536,497         | 1,536,497   |
| Investment at fair value -P&L         | 24,678,392                                   | -                         | -                 | 24,678,392  |
| Investment at fair value -OCI         | -  | 7,917,558                 | -                 | 7,917,558   |
| Trade debts                           | -  | -                         | 3,983,823         | 3,983,823   |
| Investment in Margin Financing        | -  | -                         | 5,140,650         | 5,140,650   |
| Advances, deposits and prepayments    | -  | -                         | 31,350,287        | 31,350,287  |
| Bank balances                         | -  | -                         | 42,840,437        | 42,840,437  |
|                                       | 24,678,392                                   | 7,917,558                 | 84,851,695        | 117,447,645 |



| 2018   |                           |                   |             |
|--|---------------------------|-------------------|-------------|
| At fair value through profit or loss account | At fair value through OCI | At Amortized Cost | Total       |
| Long term loan, advances and deposits        | -                         | 1,536,497         | 1,536,497   |
| Investment at fair value - P&L               | 24,211,716                | -                 | 24,211,716  |
| Investment at fair value - OCI               | -                         | 12,028,598        | -           |
| Investment in Margin Financing               | -                         | 7,922,064         | 7,922,064   |
| Trade debts                                  | -                         | 1,144,727         | 1,144,727   |
| Advances, deposits and prepayments           | -                         | 39,202,446        | 39,202,446  |
| Bank balances                                | -                         | 53,325,111        | 53,325,111  |
|  | 24,211,716                | 12,028,598        | 103,130,845 |
|  |                           |                   | 127,342,561 |

#### 20.1.2 Financial Liabilities at amortized cost

| 2019                     |            |
|--------------------------|------------|
| Amount                   | Total      |
| Trade and other Payables | 27,930,647 |
|                          | 27,930,647 |
|                          | 27,930,647 |

| 2018                     |            |
|--------------------------|------------|
| Amount                   | Total      |
| Trade and other Payables | 34,052,608 |
|                          | 34,052,608 |
|                          | 34,052,608 |

#### 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 in to 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 allow to trade in future contracts after taking appropriate margins.

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 doesnot expect to incur material credit losses on its financial assets. The maximum exposure to credit risk at the reporting date is as follows:

|   | 2019               | 2018              |
|---|--------------------|-------------------|
|   | <i>Rupees</i>      |                   |
| Long Term deposit   | 1,536,497          | 1,536,497         |
| Investment at fair value through other comprehensive income | 7,917,558          | 12,028,598        |
| Investment at fair value through P&L                        | 24,678,392         | 24,211,716        |
| Investment in Margin Financing                              | 5,140,650          | 7,922,064         |
| Advances, deposits, prepayments and other receivable        | 31,350,287         | 39,202,446        |
| Trade debts   | 3,983,823          | 1,144,727         |
| Bank Balances   | 42,840,437         | 53,899,523        |
|   | <u>117,447,645</u> | <u>92,821,061</u> |

### 20.2.1.2 Bank Balances

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

|     | 2019              | 2018              |
|-----|-------------------|-------------------|
|     | <i>Rupees</i>     |                   |
| AAA | 1,318,283         | 566,302           |
| AA+ | 34,852,976        | 10,668,188        |
| A+  | 33,310            | 92,179            |
| A   | 104,610           | 19,754,885        |
| AA  | 6,388,223         | 22,243,557        |
|     | <u>42,697,402</u> | <u>53,325,111</u> |

The long term rating above are taken from SBP website and the rating agencies are PACRA and VIS.



### 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.

| 2019                     |                        |                |                  |                   |
|--------------------------|------------------------|----------------|------------------|-------------------|
| carrying amount          | contractual cash flows | up to one year | one to two years | Two to five years |
| Financial Liabilities    |                        |                |                  |                   |
| Trade and other payables | 27,930,647             | 27,930,647     | 27,930,647       | -                 |
|                          | 27,930,647             | 27,930,647     | 27,930,647       |                   |

| 2018                     |                        |                |                  |                   |
|--------------------------|------------------------|----------------|------------------|-------------------|
| carrying amount          | contractual cash flows | up to one year | one to two years | Two to five years |
| Financial Liabilities    |                        |                |                  |                   |
| Trade and other payables | 34,052,608             | 34,052,608     | 34,052,608       | -                 |
|                          | 34,052,608             | 34,052,608     | 34,052,608       |                   |

On the balance sheet date, the company has cash and bank balances of Rs.42 million (2018: 53 million) and short term investments of Rs 24 million (2018: 21 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 thorough 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 on-going 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 2019 | 2,467,839    | (2,467,839)  |
| as at 30th June 2018 | 2,421,172    | (2,421,172)  |

### 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 measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

The company annually hold listed assets amounting to Rs 32 million (2018: 36 million) that are recorded at quoted price.

The carrying value of remaining financial assets and liabilities reflected in these financial statements approximate to their fair value.

### 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 with a view to maintain an appropriate mix between various sources of finance to minimise risk.



## 21. CAPITAL ADEQUACY LEVEL

|                            |                    |                    |
|----------------------------|--------------------|--------------------|
| Total Assets               | 133,658,432        | 153,468,635        |
| Less: Total Liabilities    | (27,930,647)       | (34,192,108)       |
| Less: Revaluation Reserves | -                  | -                  |
| Capital Adequacy Level     | <u>105,727,785</u> | <u>119,276,526</u> |

## 22. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related Parties Comprise of associated companies , directors, key management personnel and close family members of the directors. Transactions with related parties may be carried out at negotiated rates. Remuneration and benefits to executives of the company are in accordance with the terms of their employment.

Details of transactions and balances with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

|   | 2019             | 2018             |
|---|------------------|------------------|
| Remuneration to Directors               | 2,480,000        | 960,000          |
| Remuneration to Chief Executive Officer | 2,400,000        | 996,000          |
|   | <u>4,880,000</u> | <u>1,956,000</u> |

## 23. NUMBER OF EMPLOYEES

Total number of employees at 30 June

| Number of employees |
|---------------------|
| 22                  |
| 26                  |

## 24. DATE OF AUTHORIZATION

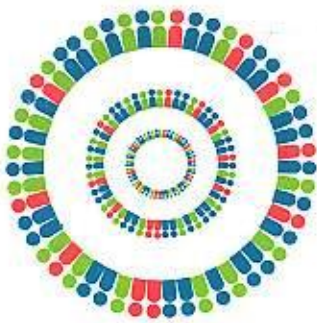
These financial statements have been authorized for issue on 03 OCT 2019 by the Board of

## 25. GENERAL

Figures have been rearranged and reclassified wherever necessary, for the purpose of comparison and

*Bahadur Khan*  
Chief Executive

*Shahidullah Khan*  
Director



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## UHY INTERNATIONAL

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