

**Value Stock and Commodities (Pvt.) Ltd.**  
**Financial Statements**  
**For the year ended June 30, 2019**

## INDEPENDENT AUDITORS' REPORT

To the members of Value Stock and Commodities (Private) Limited  
Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of "**Value Stock and Commodities (Private) Limited**", which comprise the statement of financial position as at June 30, 2019 and statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit and loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan 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 of Directors' Report, Company's Corporate Information, Shareholders' Information and Financial Highlights (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.

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### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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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 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 (XIX of 2017);
- b) The statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) Investments made, expenditure incurred and guarantees extended during the period 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 **Muhammad Safder, FCA**.

*Tariq Abdul Ghani Maqbool & Co.*  
**Tariq Abdul Ghani Maqbool & Co.**

**Chartered Accountants**

**Place: Lahore**

**Date: October 03, 2019**

## Value Stock and Commodities (Private) Limited

### Statement of Financial Position

As at June 30, 2019

	Note	2019 -----Rupees-----	2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	8	18,239,841	10,096,234
Intangible assets	9	3,750,000	3,750,000
Long-term investments	10	18,314,258	15,259,068
Long term deposits	11	9,089,223	9,188,208
Deferred tax	12	5,350,830	-
		54,744,152	38,293,510
<b>Current assets</b>			
Trade receivables	13	21,256,265	38,468,087
Loans and advances-considered good	14	1,297,804	8,713,476
Trade deposits and short term prepayments	15	7,068,900	11,769,957
Other receivables	16	83,720	861,780
Income tax refundable-net	17	532,083	1,052,830
Short-term investments	18	28,685,770	18,196,685
Cash and bank balances	19	1,338,512	7,019,031
		60,263,054	86,081,846
		<u>115,007,206</u>	<u>124,375,356</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized share capital	20	150,000,000	150,000,000
Issued, subscribed and paid up share capital	20	100,000,000	100,000,000
<b>Revenue reserves</b>			
Unrealised appreciation on remeasurement of investments classified at FVOCI		(6,250,242)	(9,305,432)
Accumulated losses		(16,528,542)	(12,582,631)
		77,221,216	78,111,937
<b>Non-current liabilities</b>			
Long term loan	21	10,577,491	19,909,279
Liability against assets subject to finance lease	22	326,147	615,852
		10,903,638	20,525,131
<b>Current liabilities</b>			
Current portion of non-current liabilities	23	10,130,564	11,161,431
Due to related party	24	355,668	-
Accrued markup		298,573	360,556
Short term borrowings-secured	25	7,900,778	2,595,614
Trade and other payables	26	8,196,769	11,620,688
		26,882,352	25,738,289
Contingencies and commitments	27	-	-
		<u>115,007,206</u>	<u>124,375,356</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.

TAGM

Chief Executive Officer



Director

**Value Stock and Commodities (Private) Limited**

**Statement of Profit or Loss**

**For the year ended 30 June 2019**

		2019	2018
	Note	-----Rupees-----	
Operating revenue	28	6,466,405	8,096,914
Operating and administrative expenses	29	(18,956,341)	(34,168,395)
<b>Operating loss</b>		<b>(12,489,936)</b>	<b>(26,071,481)</b>
Other operating income / (loss)	30	5,634,456	(8,645,219)
Finance cost	31	(1,348,031)	(1,098,042)
<b>Loss before tax</b>		<b>(8,203,511)</b>	<b>(35,814,742)</b>
Income tax (expense) / credit	32	4,257,600	-
<b>Loss after tax</b>		<b>(3,945,911)</b>	<b>(35,814,742)</b>

TAGM

*The annexed notes from 1 to 44 form an integral part of these financial statements.*

Chief Executive Officer



Director

**Value Stock and Commodities (Private) Limited**

**Statement of Comprehensive Income**

For the year ended 30 June 2019

	Note	2019	2018
		----- (Rupees) -----	
Loss for the year		(3,945,911)	(35,814,742)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Unrealised appreciation/ (diminution) during the year on remeasurement of investments classified at FVOCI		3,055,190	(177,235)
<b>Total comprehensive loss for the year</b>		<u>(890,721)</u>	<u>(35,991,977)</u>

*The annexed notes from 1 to 44 form an integral part of these financial statements.*

TAGM

  
Chief Executive Officer



  
Director

**Value Stock and Commodities (Private) Limited**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2019**

	Issued, subscribed and paid up share capital	Revenue reserves		Sub total	Total
		Unrealised appreciation/ (diminution) during the year on remeasurement of investments classified at PVOCI	Accumulated losses		
-----Rupees-----					
Balance as at 30 June 2017, as restated	100,000,000	(9,128,197)	23,252,111	14,103,914	114,103,914
Other comprehensive income for the year	-	(177,235)	-	(177,235)	(177,235)
Loss for the year	-	-	(35,814,742)	(35,814,742)	(35,814,742)
Balance as at 30 June 2018	100,000,000	(9,305,432)	(12,582,631)	(21,888,063)	78,111,937
Other comprehensive income for the year	-	3,055,190	-	3,055,190	3,055,190
Loss for the year	-	-	(3,945,911)	(3,945,911)	(3,945,911)
Balance as at 30 June 2019	100,000,000	(6,250,242)	(16,528,542)	(22,778,784)	77,221,216

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*The annexed notes from 1 to 44 form an integral part of these financial statements.*

Chief Executive Officer



Director



**Value Stock and Commodities (Private) Limited**

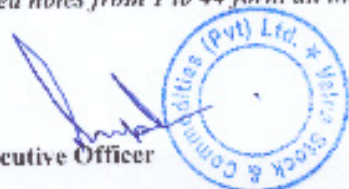
**Statement of Cash Flows**

For the year ended 30 June 2019

	Note	2019 Rupees	2018 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(8,203,511)	(35,814,742)
Adjustments for:			
Depreciation and impairment	8	2,606,393	11,427,361
Provision for doubtful debt	13	3,119,392	12,618,037
Realized loss on short term investments	32	(1,731,710)	(3,696,764)
Unrealized (gain)/loss on remeasurement of short term investments	18	(4,285,057)	(5,752,034)
Loss on sale of assets		-	89,047
Finance costs		1,328,542	1,047,268
		<u>1,037,560</u>	<u>15,732,915</u>
<b>Operating profit before working capital changes</b>		<b>(7,165,951)</b>	<b>(20,081,827)</b>
<b>Change in working capital:</b>			
Trade receivables		14,092,430	6,926,898
Loans and advances-considered good		7,415,672	(7,452,188)
Trade deposits and short term prepayments		4,701,057	(945,146)
Other receivables		778,060	(856,780)
Trade and other payables		(3,485,902)	(16,296,884)
		<u>23,501,317</u>	<u>(18,624,100)</u>
<b>Cash generated/(utilized) in operations</b>		<b>16,335,366</b>	<b>(38,705,927)</b>
Interest paid		(1,328,542)	(686,712)
Income taxes paid		(572,482)	(264,794)
		<u>(1,901,024)</u>	<u>(951,506)</u>
<b>Net cash (used in)/from operating activities</b>		<b>14,434,342</b>	<b>(39,657,433)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets	8.1	(10,750,000)	(1,527,756)
Proceeds from sale of operating fixed assets		-	6,432,805
Proceeds from sale of / (acquisition of) short term investments		(4,472,318)	46,192,268
Decrease / (Increase) in long-term deposits		98,985	(300,000)
		<u>(15,123,333)</u>	<u>50,797,317</u>
<b>Net cash (used in)/from investing activities</b>		<b>(15,123,333)</b>	<b>50,797,317</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long-term loan		(9,331,788)	(8,707,557)
Settlement of finance lease and current loan liabilities		(1,320,572)	(1,240,952)
Repayments of / (increase) amounts due to related parties		355,668	(5,360,519)
Proceeds from / (repayment of) short-term borrowings		5,305,164	(14,867,060)
		<u>(4,991,528)</u>	<u>(30,176,088)</u>
<b>Net cash used in financing activities</b>		<b>(4,991,528)</b>	<b>(30,176,088)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(5,680,519)</b>	<b>(19,036,204)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>7,019,031</b>	<b>26,055,235</b>
<b>Cash and cash equivalents at the end of the year</b>	19	<b>1,338,512</b>	<b>7,019,031</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive Officer



Director

## **Value Stock and Commodities (Private) Limited**

### **Notes to the Financial Statements**

**For the year ended 30 June 2019**

#### **1 LEGAL STATUS AND NATURE OF BUSINESS**

Value Stock and Commodities (Private) Limited (the "Company") was incorporated in Pakistan on March 30, 2006 as a Private Company under the repealed Companies Ordinance, 1984. The Company's registered office is situated at Value Tower 13-B1, B2 Commercial Zone, Ghalib Market, Gulberg III, Lahore. The Company is principally engaged in the business of investment advisory, purchase and sale of securities, financial consultancy, brokerage, underwriting, portfolio management and securities research.

#### **2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE**

All significant transactions and events that have affected the Company's statement of financial position and performance during the year have been adequately disclosed in the notes to these financial statements.

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018 which are effective from annual periods beginning on or after 01 July 2018 and for reporting period/year ending on or after 30 June 2019 respectively.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are reflected in note 7.1.

#### **3 BASIS OF PREPARATION**

##### **3.1 Statement Of Compliance**

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" or "IFRSs") issued by the International Accounting Standards Board ("IASB") as are notified under the Companies Act, 2017, provisions of or directives issued under the Companies Act, 2017, and Securities Brokers (Licensing and Operations) Regulations 2016 (the "Regulations"). In case requirements differ, the provisions or directives of the Companies Act, 2017 and/or the Regulations shall prevail.

##### **3.2 Standards, interpretations and amendments to published approved accounting standards**

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

##### **- Standards, amendments to published standards and interpretations effective in current year**

The Company has adopted the following revised standards and amendments of IFRSs which became effective for the current year:

IAS 7 -	Statement of Cash Flows - Disclosure Initiative - (Amendments)	
IAS 12 -	Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	
IFRS 2 -	Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 4 -	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)	01 January 2018
IFRS 9 -	Financial Instruments	30 June 2019
IFRS 15 -	Revenue from Contracts with Customers	30 June 2019
IAS 40 -	Transfer of Investment Property (Amendments)	01 January 2018
IFRIC 22 -	Foreign Currency Transactions and Advance Consideration	01 January 2018

The adoption of the above improvements to accounting standards and interpretations are not likely to have an impact on the Company's financial statements.

**- Standards, interpretations and amendments to existing standards that are not yet effective**

The following amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after their respective effective dates.

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 9 - Prepayment Features with Negative Compensation - (Amendments)	01 January 2019
IAS 28 - Income taxes: Income tax consequences of payments on financial instruments classified as equity	01 January 2019
IAS 1 - Definition of material (Amendments)	01 January 2020
IAS 8 - Accounting policies, changes in accounting estimates and errors - (Amendments)	01 January 2020
IFRS 11 - Joint arrangements: Previously held interests in a joint operations	01 January 2019
IFRS 16 - Leases	01 January 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 28 - Long term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IAS 23 - Borrowing costs (Amendments)	01 January 2019
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019

The above standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements except for the increased disclosures in certain cases.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial

The IASB has also issued the revised Conceptual Framework for the Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 1 Regulatory Deferral Accounts	01 January 2016
IFRS 1 Insurance contracts	01 January 2021

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

#### 4 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except:

- Investments in quoted equity securities (whether classified as financial assets measured at fair value through profit or loss, or through other comprehensive income or amortised cost) and
- Derivative financial instruments, which are marked-to-market as appropriate under relevant accounting and reporting standards.

#### 5 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupee, which is the Company's functional and presentation currency. All amounts have been rounded to the nearest rupee, unless otherwise indicated.

#### 6 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, 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 judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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 if the revision affects only that period, or in the period of revision and future periods in other cases. Judgments made by management in the application of approved accounting standards that may have a significant effect on the financial statements and estimates with significant risk of material adjustment in the next year are discussed in respective policy notes. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

##### 6.1 Depreciation method, rates and useful lives of property, plant and equipment

The management of the Company reassesses useful lives, depreciation method, and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from those items.

##### 6.2 Fair value of financial instruments having no active market

Fair value of financial instruments having no active market is determined using discounted cash flow analysis after incorporating all factors that market participants would consider in setting a price and using inputs that reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

##### 6.3 Taxation

The Company takes into account income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by tax department at the assessment stage and where the Company considers that its view of items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

##### 6.4 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

##### 6.5 Expected credit losses

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.

## 7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### 7.1 Change in Accounting Policies

#### 7.1.1 IFRS 15 'Revenue from Contracts with Customers'

On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and the number of revenue related interpretations.

The Company manufactures and contracts with customers for the sale of Ghee, Coffee, Vegetable Oil, Soap, Fats and Gas which generally include single performance obligation. The management has concluded that revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer, which is when the goods are dispatched to the customer. Invoices are generated and revenue is recognised at that point in time, as the control has been transferred to the customers. The above is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 which replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations, did not have an impact on the timing and amounts of revenue recognition of the Company. Therefore, adoption of IFRS 15 at 01 July 2018, does not have an effect on the financial statements of the Company.

#### 7.1.2 IFRS 9 'Financial Instruments'

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

##### (i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely Payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss or other comprehensive income. For investments 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 FVOCI.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities.

The accounting policies that apply to financial instruments are stated in note 7.4 to the financial statements.

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 01 July 2018:

Financial Instrument	Original Classification under IAS 39	New Classification under IAS 39	Original	Original
			Amount under IAS 39	Amount under IFRS 9
			-----Rupees-----	
<b>Financial Assets</b>				
Trade debts - net	Loans and receivables	Amortised costs	21,256,265	21,256,265
Loans and advances	Loans and receivables	Amortised costs	1,297,804	1,297,804
Trade deposits	Loans and receivables	Amortised costs	7,068,900	7,068,900
Other receivables	Loans and receivables	Amortised costs	83,720	83,720
Short-term investments	FVTPL	FVTPL	28,685,770	28,685,770
Cash and bank balances	Loans and receivables	Amortised costs	1,338,512	1,338,512
Long-term investments	Available for sale	FVOCI	18,314,258	18,314,258
Long-term deposits	Loans and receivables	Amortised costs	9,089,223	9,089,223
<b>Financial Liabilities</b>				
Trade and other payables	Other financial liabilities	Other financial liabilities	8,196,769	8,196,769
Accrued mark-up	Other financial liabilities	Other financial liabilities	298,573	298,573
Short-term borrowings	Other financial liabilities	Other financial liabilities	7,900,778	7,900,778
Due to related party	Other financial liabilities	Other financial liabilities	355,668	355,668
Long-term financing	Other financial liabilities	Amortised costs	20,177,491	20,177,491
Liability against assets subject to finance lease	Other financial liabilities	Amortised costs	856,711	856,711

### **(ii) Impairment**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables, are presented separately in the statement of profit or loss. Trade and other receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL on adoption of IFRS 9. Given the Company's experience of collection history and no historical loss rates / bad debts and normal receivable aging, the move from an incurred loss model to an expected loss model has not had an impact on the financial position and / or financial performance of the Company.

Loss allowance on bank balances is measured at 12 months expected credit losses. Since this asset is short term in nature, therefore no credit loss is expected on these balances.

## **7.2 Property, plant and equipment**

Items of property and equipment are stated at cost less accumulated depreciation (if any) and impairment losses (if any). Cost includes expenditure that is directly attributable to the acquisition of the items.

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 the cost of the item can be measured reliably. Where such subsequent costs are incurred to replace parts and are capitalized, the carrying amount of replaced parts is derecognized. All other repair, maintenance and day-to-day servicing expenditures are charged to the profit and loss account during the year in which they are incurred.

Depreciation on all items of property and equipment is calculated using the reducing balance method, in accordance with the rates specified in Note 8 to these financial statements and after taking into account residual value, if material. Residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation is charged on an asset from when the asset is available for use until the asset is disposed off.

An item of property and equipment is derecognized upon disposal or when no future benefits are expected from its use or disposal. Any gain or loss arising on asset derecognition (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year in which the asset is derecognized.

The Company reviews the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge and impairment.

## **7.3 Intangible assets**

Intangible assets with indefinite useful lives, including Trading Right Entitlement Certificate ("TREC"), are stated at cost less accumulated impairment losses, if any. An intangible asset is considered as having an indefinite useful life when, based on an analysis of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company. An intangible asset with an indefinite useful life is not amortized. However, it is tested for impairment at each balance sheet date or whenever there is an indication that the asset may be impaired. Gains or losses on disposal of intangible assets, if any, are recognized in the profit and loss account during the year in which the assets are disposed of.

## 7.4 Financial instruments

### Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

### Financial assets

#### (i) Initial Measurement

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

The Company classifies its financial assets in to following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

#### (ii) Subsequent Measurement

- **Debt Investments at FVOCI:** These assets are subsequently measured at fair value. Interest / mark-up income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

- **Equity Investments at FVOCI:** These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss.

- **Financial assets at FVTPL:** These assets are subsequently measured at fair value. Net gains and losses, including any interest / mark-up or dividend income, are recognized in profit or loss.

- **Financial assets measured at amortized cost:** These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / mark-up income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

### Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.



## **De-recognition**

### **(i) Financial assets**

The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to statement of changes in equity.

### **(ii) Financial liabilities**

The Company derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any noncash assets transferred or liabilities assumed, is recognised in the statement of profit or loss and other comprehensive income.

### **Regular way purchases or sales of financial assets**

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention on the market place. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

### **Derivatives**

Derivative instruments held by the Company comprise of future and forward contracts in the capital and money markets. These are stated at fair value at the date of statement of financial position. The fair value of the derivatives is equivalent to the unrealised gain or loss from marking the derivatives using prevailing market rates at the date of statement of financial position. The unrealised gains are included in other assets while unrealised losses are included in other liabilities in the statement of financial position. The corresponding gains and losses are included in the statement of profit or loss.

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

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## **7.5 Impairment**

### **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 - defined as the higher of the asset's fair value less costs of disposal and the asset's value-in-use (present value of estimated future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and asset-specific risk) - is estimated to determine the extent of the impairment loss.

For the purpose of assessing impairment, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (such groups of assets are henceforth referred to as "cash-generating units" or "CGUs").

Impairment losses recognized in prior periods are assessed at each reporting date to determine whether there are any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent of the carrying amount of the asset (or CGU) that would have been determined (net of depreciation / amortization) had no impairment loss been recognized.

## **7.6 Trade debts and receivables**

### **Financial assets**

These are classified at amortized cost and are initially recognized when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

### **Non-financial assets**

These, both on initial recognition and subsequently, are measured at cost.

## **7.7 Income tax**

### **Current**

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using rates enacted or substantively enacted at the reporting date, and takes into account tax credits, exemptions and rebates available, if any. The charge for current tax also includes adjustments, where necessary, relating to prior years which arise from assessments framed / finalized during the year. The charge for current tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

### **Deferred**

Deferred tax is recognized using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated using rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. Deferred tax is not recognized on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Deferred tax is charged or credited to the income statement, except in the case of items credited or charged to comprehensive income or equity, in which case it is included in comprehensive income or equity.

The Company takes into account current income tax law and decisions taken by tax authorities. In instances where the Company's views differ from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the relevant amounts are disclosed as contingent liabilities.

## **7.8 Cash and cash equivalents**

Cash and cash equivalents are carried at cost and include cash in hand, balances with banks in current and deposit accounts, stamps in hand, other short-term highly liquid investments with original maturities of less than three months and short-term running finances.

## **7.9 Share capital**

Ordinary shares are classified as equity and recognised at their face value.

#### **7.10 Provisions**

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

#### **7.11 Borrowings**

These are recorded at the proceeds received. Finance costs are accounted for on accrual basis and are disclosed as accrued interest / mark-up to the extent of the amount unpaid at the reporting date.

#### **7.12 Borrowing costs**

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of the relevant asset.

#### **7.13 Revenue recognition**

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognized on the following basis:

- Brokerage and commission income is recognized when brokerage services are rendered.
- Dividend income is recognized when the right to receive the dividend is established.
- Underwriting commission (if any) is recognized when the agreement is executed. Take-up commission is recognized at the time the commitment is fulfilled.
- Return on deposits is recognized using the effective interest method.
- Income on fixed term investments is recognized using the effective interest method.
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Unrealized capital gains / (losses) arising from marking to market financial assets classified as financial assets at fair value through profit or loss are included in profit and loss during the period in which they arise.
- Income / profit on exposure deposits is recognized using the effective interest rate.

#### **7.14 Foreign currency transactions and translation**

Monetary assets and liabilities in foreign currencies are translated into functional currency at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into functional currency at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in income.

#### **7.15 Related party transactions**

All transactions involving related parties arising in the normal course of business are conducted and recorded at rates that are not less than market.

## 8 PROPERTY AND EQUIPMENT

Operating fixed assets  
Room in south plaza LSE

	2019	2018
	Rupees	
8.1	14,061,033	5,917,426
	4,178,808	4,178,808
	<u>18,239,841</u>	<u>10,096,234</u>

## 8.1 OPERATING FIXED ASSETS

	Rupees		Rupees						
			Furniture and fixtures	Office equipments	Computer accessories	Vehicles	Total	Leasohold vehicles	Total
<b>Year ended 30 June 2018</b>									
Operating net book value	503,126	503,318	206,852	2,616,005	79,366	3,829,301	9,031,777	12,861,078	
Additions-at cost	-	-	-	79,366	-	79,366	1,448,390	1,527,756	
Disposals:									
Cost	-	-	-	6,061,097	-	6,061,097	8,717,596	14,778,693	
Accumulated depreciation	-	-	-	(3,839,709)	-	(3,839,709)	(4,459,417)	(8,299,116)	
	-	-	-	(2,221,388)	-	(2,221,388)	(4,258,159)	(6,479,547)	
	(100,625)	(89,946)	(41,370)	(245,266)	-	(477,207)	(1,514,654)	(1,991,861)	
Depreciation charge	402,501	413,372	165,482	228,717	-	1,210,072	4,707,354	5,917,426	
Closing net book value									
<b>At 30 June 2018</b>									
Cost	1,443,407	1,437,811	1,928,168	1,938,500	-	6,747,886	6,692,792	13,440,678	
Accumulated depreciation	(1,040,906)	(1,024,439)	(1,762,686)	(1,709,783)	-	(5,537,814)	(1,985,438)	(7,523,252)	
Net book value	402,501	413,372	165,482	228,717	-	1,210,072	4,707,354	5,917,426	
<b>Year ended 30 June 2019</b>									
Operating net book value	402,501	413,372	165,482	228,717	-	1,210,072	4,707,354	5,917,426	
Additions-at cost	-	-	-	10,750,000	-	10,750,000	-	10,750,000	
Depreciation charge	(180,500)	(41,357)	(33,096)	(1,509,989)	-	(1,661,922)	(941,471)	(2,606,393)	
Closing net book value	322,001	372,015	132,386	9,468,728	-	10,295,150	3,765,883	14,061,033	
<b>At 30 June 2019</b>									
Cost	1,443,407	1,437,811	1,928,168	12,688,500	-	17,497,886	6,692,792	24,190,678	
Accumulated depreciation	(1,121,406)	(1,065,736)	(1,795,782)	(3,219,772)	-	(7,202,736)	(2,926,909)	(10,129,645)	
Net book value	322,001	372,015	132,386	9,468,728	-	10,295,150	3,765,883	14,061,033	
<b>Rate of depreciation per annum</b>	20%	10%	20%	20%	-	20%	20%	-	

## 9 INTANGIBLE ASSETS

	<i>Note</i>	2019 ---Rupees---	2018
PSX Trading Rights Entitlement Certificate ("TREC")	9.1	11,935,500	11,935,500
Impairment on TREC	9.2	<u>(9,435,500)</u>	<u>(9,435,500)</u>
		2,500,000	2,500,000
PMEX Trading Rights Certificate		<u>1,250,000</u>	<u>1,250,000</u>
		<u>3,750,000</u>	<u>3,750,000</u>

- 9.1 Pursuant to the Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012, stock exchanges operating as guarantee limited companies were converted to public limited companies. Ownership rights in exchanges were segregated from the right to trade on an exchange. As a result of such demutualization and corporatization, the Company received shares of the relevant exchange and a Trading Rights Entitlement Certificate ("TREC") against its membership card.

The TREC has been recorded as an indefinite-life intangible asset pursuant to the provisions and requirements of IAS 38. As the TREC is not a commonly tradable instrument, the value approved by the Board of Directors of the Pakistan Stock Exchange Limited ("PSX") post-mutualization was used as the initial value of the intangible. The TREC, which has been pledged with the PSX to meet Base Minimum Capital ("BMC") requirements, is assessed for impairment in accordance with relevant approved accounting standards.

- 9.2 Vide its notice dated November 10, 2017, the PSX revised the notional value of the TREC from PKR 4 million to PKR 2.5 million. As a result, the Company has recognized an impairment loss of PKR 9,435,500 during fiscal 2018. PSX did not revised the notional value thereafter.

		2019 ---Rupees---	2018
<b>10 LONG TERM INVESTMENTS</b>			
<b>Investments at fair value- through other comprehensive income</b>			
LSE Financial Services Limited - opening balance	10.1	15,259,068	15,436,303
Adjustment for remeasurement to fair value		<u>3,055,190</u>	<u>(177,235)</u>
LSE Financial Services Limited - fair value		<u>18,314,258</u>	<u>15,259,068</u>

- 10.1 As a result of the demutualization and corporatization of stock exchanges as detailed in note 9.1, the Company received 843,975 shares of LSE Financial Services Limited. Of these, 60% (506,385 shares) were held in a separate Central Depository Company Limited ("CDC") sub-account, blocked until they are sold to strategic investors, financial institutions and/or the general public. The remaining shares (40% of total, or 337,590 shares) were allotted to the Company.

These shares are neither listed on any exchange nor are they actively traded. As a result, fair value has been estimated by reference to the latest break-up or net asset value per share of these shares notified by LSE Financial Services Limited (PKR 21.70 per share as at June 30, 2018). Remeasurement to fair value resulted in a Gain of PKR 3,055,190 (2018: Loss of PKR 177,235).

337,590 shares having fair value PKR 7,325,703 of LSE Financial Services Limited are pledged with the PSX to meet BMC requirements.

	Note	2019 Rupees	2018 Rupees
<b>11 LONG TERM DEPOSITS</b>			
Deposit for Second LSE Tower		5,000,000	5,000,000
Deposits for Rooms in Faisalabad		1,000,000	1,000,000
CDC membership deposit		100,000	100,000
NCCPL membership deposit		200,000	200,000
Trading Deposits with PMEX		670,423	670,423
Margin Deposits with PSX		187,800	187,800
Security deposit with PMEX		750,000	750,000
DFC initiation deposit		1,000,000	1,000,000
Other security deposits		181,000	279,985
		<u>9,089,223</u>	<u>9,188,208</u>
<b>12 DEFERRED TAX</b>			
Deferred income tax - opening		-	-
Expense / (income) for the year		(5,350,830)	-
Deferred income tax - closing		<u>5,350,830</u>	-

The net balance for deferred taxation is in respect of following temporary differences

**Taxable temporary differences:**

Assets subject to finance lease

843,660

**Deductible temporary differences:**

Accelerated tax depreciation allowance

563,191

Provision for doubtful debts

4,563,854

Tax credits/tax losses

1,067,444

6,194,489

5,350,829

<b>13 TRADE RECEIVABLES</b>			
Considered good	13.1	21,256,265	38,468,087
Considered doubtful	13.2	15,737,429	12,618,037
		36,993,694	51,086,124
		15,737,429	12,618,037
Less: Provision for doubtful debts		<u>21,256,265</u>	<u>38,468,087</u>

13.1 The Company holds client-owned securities with a total fair value of PKR 26,215,994 (2018: PKR 27,287,719/-) as collateral against trade debts. The Company recognized a provision for doubtful debts after consideration of a number of factors, including (but not limited to) an analysis of historical bad debt experience, aging of the receivables portfolio, expected future write-offs, the nature and quantum of collateral held, and an assessment of specifically identifiable customer accounts considered at risk or uncollectible.

Trade receivables include PKR 537,371 (2018: PKR 4,565,420/-) receivable from related parties.

Shares with fair value of PKR 143,340 (2018: PKR 304,440) have been pledged with PSX & LSE.

**13.3 Age analysis of trade receivables from related parties**

Name of related party	Amount not past due	Amount past due					Total gross amount due
		Past due 1 to 30 days	Past due 31 to 60 days	Past due 61 to 90 days	Past due 91 to 365 days	Past due 365 days	
-----Rupees-----							
Mr. Khuram Gulzar	535,327	-	-	-	-	-	535,327
Mrs. Javeria Khuram	44	-	-	-	2,000	-	2,044
	<u>535,371</u>	-	-	-	<u>2,000</u>	-	<u>537,371</u>

	Note	2019 Rupees	2018 Rupees
<b>13.2 Movement in provision against trade receivables</b>			
Opening balance (as at July 1, 2018)		12,618,037	-
Charged during the year		3,119,392	12,618,037
Closing balance (as at June 30, 2019)		<u>15,737,429</u>	<u>12,618,037</u>

**14 LOANS AND ADVANCES—Considered Good**

Staff advances - unsecured		1,297,804	1,319,804
Advance to related party - unsecured	14.1	-	7,393,672
		<u>1,297,804</u>	<u>8,713,476</u>

14.1 This amount was an advance to Mr. Khuram Gulzar, a Director of the Company. The amount was advanced interest-free and was not secured by means of collateral. The amount was repayable within one year and had therefore been classified as current.

**15 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**

Clearing House Deposits (Reg. & Future)		7,050,000	5,100,000
Prepaid expenses		18,900	6,669,956
		<u>7,068,900</u>	<u>11,769,956</u>

**16 OTHER RECEIVABLES**

Receivable from NCCPL		57,049	852,354
Miscellaneous receivables		26,671	9,426
		<u>83,720</u>	<u>861,780</u>

**17 INCOME TAX REFUNDABLE**

Opening balance		1,052,830	788,036
Collected / paid during the year		572,482	264,794
		<u>1,625,312</u>	
Less: Adjustment against provision of taxation		1,093,229	-
Balance at the end of the year		<u>532,083</u>	<u>1,052,830</u>

17.1 Income tax assessments of the Company are deemed to be finalized as per tax returns file up to tax year 2018. Tax returns are subject to further assessment under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities.

17.2 According to management, the tax provision made in the financial statements is sufficient. A comparison of last three years of income tax provision with tax assessed is presented below:

Tax year	Provision for taxation	Tax Assessed
	-----Rupees-----	
2018	-	930,486
2017	-	1,366,493
2016	291,621	285,235

Differences in amounts provided and final assessments are due to interpretational and treatment differences.

	<i>Note</i>	2019 Rupees	2018 Rupees
<b>18</b>			
<b>SHORT TERM INVESTMENTS</b>			
<b>Investments at fair value through profit or loss</b>			
Investment in listed securities		24,400,713	23,948,719
Un-realised gain/(loss) on remeasurement		<u>4,285,057</u>	<u>(5,752,034)</u>
Investment in listed securities	<i>18.1</i>	<u>28,685,770</u>	<u>18,196,685</u>

- 18.1** Shares with fair value of PKR 186,680 (2018:PKR 281,840) have been pledged with banks for obtaining finance facilities. Shares with fair value of PKR 143,340 (2018: PKR 304,440) have been pledged with PSX & LSE.

**19 CASH AND BANK BALANCES**

Cash in hand		25,521	16,845
Cash at banks			
Proprietary accounts		360,656	596,179
Client accounts	<i>19.1</i>	<u>952,335</u>	<u>6,406,007</u>
		<u>1,312,991</u>	<u>7,002,186</u>
		<u>1,338,512</u>	<u>7,019,031</u>

- 19.1** Clients' funds are segregated from the Company's own funds and held in designated bank accounts.

**20 SHARE CAPITAL**

<b>20.1</b>	<b>Authorized capital</b>		
	150,000 (2018: 150,000) ordinary shares of PKR 1,000/- each.	<u>150,000,000</u>	<u>150,000,000</u>
<b>20.2</b>	<b>Issued, subscribed and paid up share capital</b>		
	100,000 (2018: 100,000) ordinary shares of PKR 1,000/- each, issued for cash	<u>100,000,000</u>	<u>100,000,000</u>
<b>20.3</b>	<b>Shareholders holding 5% or more of total shareholding</b>		

	Number of Shares		Percentage	
	2019	2018	2019	2018
Mr. Khuram Gulzar	33,300	33,300	33%	33%
Mr. Kamran Gulzar	33,300	33,300	33%	33%
Mr. Aman Ullah	33,300	33,300	33%	33%
	<u>100,000</u>	<u>100,000</u>		

**21 LONG TERM LOAN**

Term Finance - Bank Alfalah Limited	<i>21.1</i>	20,177,491	29,509,279
Less: Current portion shown under current liabilities		<u>(9,600,000)</u>	<u>(9,600,000)</u>
		<u>10,577,491</u>	<u>19,909,279</u>

- 21.1** This term finance facility from Bank Alfalah Limited was restructured vide a compromise agreement dated 17th June 2013. The restructured amount as at that date is payable in 96 monthly installments (through to May 2021). Mark-up was waived for a period of 5 years (up to May 2018), after which the outstanding balance will carry mark-up at 6%, 7% and 8% (respectively by year) in each of the final three years until final settlement of the liability.



	Note	2019 Rupees	2018 Rupees
<b>22 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
Present value of minimum lease payments		856,711	2,177,283
Less: Current portion		(530,564)	(1,561,431)
		<u>326,147</u>	<u>615,852</u>
<b>Minimum lease rentals payable:</b>			
Within one year		598,102	1,684,465
After one year but within five years		340,849	738,885
After five years		-	-
		<u>938,951</u>	<u>2,423,350</u>
Less: Future financial charges		(82,240)	(246,067)
Net lease obligation		<u>856,711</u>	<u>2,177,283</u>

22.1 The Company has access to a lease finance facility from Summit Bank Limited. The facility, with a limit of PKR 10 million, carries interest / mark-up at 1-year KIBOR + 5% per annum, payable monthly. The facility is secured against ownership of the leased vehicles in the name of Summit Bank Limited.

### 23 CURRENT PORTION OF NON-CURRENT LIABILITIES

Term Finance - Bank Alfalah Limited	21	9,600,000	9,600,000
Liability against assets subject to Finance Lease	22	530,564	1,561,431
		<u>10,130,564</u>	<u>11,161,431</u>

### 24 DUE TO RELATED PARTY

Due to related party	24.1	<u>355,668</u>	-
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24.1 This represents an amount that was received from (and is therefore due to) Mr. Khuram Gulzar, a Director of the Company. The terms and conditions of the loan were not documented. In accordance with relevant guidance from ICAP, the amount was classified as payable in the short term.

The maximum aggregate amount of director's outstanding during the year computed by reference to month - end balances was Rs. 4,030,998.

Amount due to related parties are unsecured and interest free.

### 25 SHORT-TERM BORROWINGS

Running Finance	25.1	<u>7,900,778</u>	<u>2,595,614</u>
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25.1	Banker	Note	Rate	2019		2018	
				-----Rupees-----		-----Rupees-----	
				Sanctioned	Availed	Sanctioned	Availed
Summit Bank Ltd. - RF-2	25.1.1	3 months KIBOR + 4 %	8,000,000	7,900,778	8,000,000	2,595,614	
Summit Bank Ltd. - RF-1	25.1.2	3 months KIBOR + 4 %	10,000,000	-	10,000,000	-	

25.1.1 This running finance facility carries mark-up at three-months KIBOR plus 4% per annum, payable quarterly. This facility is secured against various residential properties owned by a Director of the Company as well as personal guarantees of all Directors of the Company.

25.1.2 This running finance facility carries mark-up at three-months KIBOR plus 3.5% per annum, payable quarterly. When drawn, this facility is secured against marketable securities and personal guarantees of Sponsor Directors of the Company.

	<i>Note</i>	2019 Rupees	2018 Rupees
<b>26</b>	<b>TRADE AND OTHER PAYABLES</b>		
Trade creditors		7,112,024	11,274,887
Withholding Tax payable		8,754	801
Staff Salaries payable		577,400	225,500
Accrued and other payables		448,591	69,500
Auditor's remuneration payable		50,000	50,000
		<u>8,196,769</u>	<u>11,620,688</u>
<b>27</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
There are no contingencies or commitments of the Company as at June 30, 2019 (2018: Nil)			
<b>28</b>	<b>OPERATING REVENUE</b>		
Brokerage income		5,258,378	6,982,128
Income from services		1,208,027	1,114,786
		<u>6,466,405</u>	<u>8,096,914</u>
<b>29</b>	<b>OPERATING AND ADMINISTRATIVE EXPENSES</b>		
Salaries, wages and benefits		8,094,291	4,458,261
Telephone, internet and other		432,748	468,598
Rent, rates and taxes		348,190	344,075
Printing and stationery		52,063	112,042
Postage and telephone		77,303	137,816
Travelling and conveyance		144,539	257,030
Legal and professional charges		159,300	434,792
Fee and subscription		-	10,232
CDC / NCCPL / LSE charges		800,741	828,215
Provision for doubtful debts		3,119,392	12,618,037
Impairment loss on TREC		-	9,435,500
Promotional expenses		42,270	17,160
Computer expenses		215,213	170,875
PMEX charges		65,025	15,025
Entertainment		310,330	367,153
Office expenses		203,965	227,170
Newspaper and periodicals		-	5,120
Auditor's remuneration		220,000	135,000
Utilities		607,028	641,315
Charity & donation		51,184	100
Insurance		425,796	243,900
Communication charges		35,240	39,955
Miscellaneous expenses		945,330	1,209,163
Depreciation	<i>8.1</i>	2,606,393	1,991,861
		<u>18,956,341</u>	<u>34,168,395</u>

	<i>Note</i>	2019 Rupees	2018 Rupees
<b>30 OTHER INCOME</b>			
<b>Income from financial assets</b>			
Dividend income		501,677	-
Profit on deposits with banks		314,772	399,146
Mark up on exposure deposits		532,950	491,555
PMEX profit on deposits		-	1,925
Gain / (loss) on investments held for trading - unrealized		6,016,767	(5,752,034)
Loss on investments held for trading - realized		(1,731,710)	(3,696,764)
<b>Income from non-financial asset</b>			
Less on sale of fixed assets		-	(89,047)
		<u>5,634,456</u>	<u>(8,645,219)</u>
<b>31 FINANCIAL CHARGES</b>			
Mark-up on bank borrowings		1,115,304	738,816
Mark-up on lease finance facility		213,238	308,452
Bank charges		19,489	50,774
		<u>1,348,031</u>	<u>1,098,042</u>
<b>32 TAXATION</b>			
Current income tax			
Normal tax regime			
Prior year		930,486	-
Current year		87,492	-
Final tax regime		75,252	-
Deferred tax income		(5,350,830)	-
		<u>(4,257,600)</u>	<u>-</u>

32.1 The provision for current tax represents minimum tax on revenue at the rate of 1.25%. Sufficient tax provision has been incorporated in these financial statements. Reconciliation of tax expense and product of accounting profit multiplied by tax rate is not required in view of applicability of minimum tax.

### 33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including benefits, to the chief executive and directors of the Company are as follows:

	2019			2018		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	-----Rupees-----			-----Rupees-----		
Managerial remuneration	1,759,920	476,501	1,759,920	-	656,393	-
House rent allowance	640,080	176,022	640,080	-	-	-
Number of persons	1	1	1	-	1	-

The Chief Executive and Directors of the Company are provided with free use of the Company's owned and maintained cars.

### 34 FINANCIAL INSTRUMENTS BY CATEGORY

The table below provides reconciliation of the line items in the Company's statement of financial position to the categories of financial instruments

	At fair value 'through profit and loss'	Amortised Cost	At fair value 'through other comprehensive income'	Other financial liabilities
-----Rupees-----				
<b>30 June 2019</b>				
<b>Financial Assets</b>				
Trade debts - net	-	21,256,265	-	-
Loans and advances	-	1,297,804	-	-
Trade deposits	-	7,068,900	-	-
Other receivables	-	83,720	-	-
Short-term investments	28,685,770	-	-	-
Cash and bank balances	-	1,338,512	-	-
Long-term deposits	-	9,089,223	-	-
Long-term investments	-	-	18,314,258	-
	<b>28,685,770</b>	<b>40,134,424</b>	<b>18,314,258</b>	-
<b>Financial Liabilities</b>				
Trade and other payables	-	-	-	8,196,769
Accrued mark-up	-	-	-	298,573
Short-term borrowings	-	-	-	7,900,778
Due to related party	-	-	-	355,668
Current portion of long-term liabilities	-	-	-	10,130,564
Long-term financing	-	-	-	10,577,491
Liability against assets subject to finance lease	-	-	-	326,147
	-	-	-	<b>37,785,990</b>
<b>30 June 2018</b>				
<b>Financial Assets</b>				
Trade debts - net	-	38,468,087	-	-
Loans and advances	-	8,713,476	-	-
Trade deposits	-	11,769,957	-	-
Other receivables	-	861,780	-	-
Short-term investments	18,196,685	-	-	-
Cash and bank balances	-	7,019,031	-	-
Long-term deposits	-	9,188,208	-	-
Long-term investments	-	-	15,259,068	-
	<b>18,196,685</b>	<b>76,020,539</b>	<b>15,259,068</b>	-
<b>Financial Liabilities</b>				
Trade and other payables	-	-	-	11,620,688
Accrued mark-up	-	-	-	360,556
Short-term borrowings	-	-	-	2,595,614
Current portion of long-term liabilities	-	-	-	11,161,431
Long-term financing	-	-	-	19,909,279
Liability against assets subject to finance lease	-	-	-	615,852
	-	-	-	<b>46,263,420</b>

None of the financial assets and financial liabilities have been netted off in the financial statements.

## 35 FINANCIAL RISK MANAGEMENT

### 35.1 Risk management framework

The Director/Chief Executive has overall responsibility for the establishment and oversight of the Company's risk management framework. He is also responsible for developing and monitoring the Company's risk management policies, which are monitored and assessed for effectiveness throughout the year. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to establish internal control over risk. Through its training and management standards and procedures, the Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Company has established adequate procedures to manage each of these risks as explained below.

### 35.2 Market risk

Market risk is the risk that the value of financial instruments may fluctuate as a result of changes in market interest rates, changes in the credit rating of the issuer of the instruments, change in market sentiments, speculative activities, supply and demand of securities and/or changes in liquidity in the market.

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

#### a) Currency risk

Currency risk mainly arises where receivables and payables exist due to transactions with foreign undertakings. The Company is not exposed to major foreign exchange risk in this respect.

#### b) Interest rate risk

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in market interest rates. Sensitivity to interest / mark-up rate risk arises from mismatches or gaps in the amounts of interest / mark-up based assets and liabilities that mature or reprice in a given period. The Company manages this risk by matching the maturity / repricing of financial assets and liabilities through appropriate policies.

#### c) Price risk

Price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices, whether such changes are due to factors specific to individual financial instruments (including factors specific to issuers of such instruments) or due to macroeconomic or other factor affecting similar financial instruments being traded in the market. The Company is exposed to price risk in respect of investments carried at fair value (whether as available-for-sale investments or as instruments at fair value through profit or loss). Such price risk comprises both the risk that price of individual equity investments will fluctuate and the risk that there will be an index-wide movement in prices. Measures taken by the Company to monitor, manage and mitigate price risk include daily monitoring of movements in stock indexes (such as the KSE 100 index) as well as of the correlation between the Company's investment portfolio with stock indexes.

### 35.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, loans and advances, investments and other receivables. The carrying amount of financial assets represents the maximum credit exposure, although this maximum is a theoretical formulation as the Company frequently holds collateral against potential credit losses.

Measures taken by management to manage and mitigate credit risk include:

- Development of and compliance with risk management, investment and operational policies / guidelines (including guidelines in respect of entering into financial contracts);
- Assignment of trading limits to clients in accordance with their net worth;
- Collection / maintenance of sufficient and proper margins from clients;
- Initial and ongoing client due diligence procedures, where clients' financial position, past experience and other factors are considered;
- Collection and maintenance of collateral if, as and when deemed necessary and appropriate;
- Diversification of client and investments portfolios; and
- Engagement with creditworthy / high credit rating parties such as banks, clearing houses and stock exchanges.

The Company continually monitors the quality of its debtor portfolio, both on an individual and portfolio basis, and provides against credit losses after considering the age of receivables, nature / quantum of collateral and debtor-specific factors (such as creditworthiness and repayment capacity)

The carrying amount of financial assets, which represents the maximum credit exposure before consideration of collateral and counterparty creditworthiness, is as specified below:

	2019	2018
Long-term deposits	9,089,223	9,188,208
Long-term investments	18,314,258	15,259,068
Short-term investments	28,685,770	18,196,685
Trade debts - net	21,256,265	38,468,087
Loans and advances	1,297,804	8,713,476
Trade deposits	7,068,900	11,769,957
Other receivables	83,720	861,780
Cash at banks	1,312,991	7,002,186
	<b>87,108,931</b>	<b>109,459,447</b>

#### 35.4 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations, settled by delivering cash or another financial asset, as they fall due. Prudent liquidity risk management requires the maintenance of sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to the dynamic nature of the business and the industry it operates in. The Company finances its operations through equity and, as and when necessary, borrowings, with a view to maintaining an appropriate mix between various sources of financing. The table below classifies the Company's financial liabilities into relevant maturity groupings based on the time to contractual maturity date, as at the balance sheet date. The amounts in the table are contractual undiscounted cash flows.

Financial liabilities	As at June 30, 2019		
	Carrying amount	Within one year	More than one year
Trade and other payables	8,196,769	8,196,769	-
Accrued mark-up	298,573	298,573	-
Short-term borrowings	7,900,778	7,900,778	-
Due to related party	355,668	355,668	-
Bank financing and finance lease liability	21,034,202	10,130,564	10,903,638
	<b>37,785,990</b>	<b>26,882,352</b>	<b>10,903,638</b>

Financial liabilities	As at June 30, 2018		
	Carrying amount	Within one year	More than one year
Trade and other payables	11,620,688	11,620,688	-
Short-term borrowings	2,595,614	2,595,614	-
Accrued mark-up	360,556	360,556	-
Bank financing and finance lease liability	31,686,562	11,161,431	20,525,131
<b>Total</b>	<b>46,263,420</b>	<b>25,738,289</b>	<b>20,525,131</b>

The Company does not expect that the timing or quantum of cash flows outlined in the table above will change significantly, and as a result expects to be able to fulfill its obligations as they come due.

## 36 CAPITAL RISK MANAGEMENT

The Company's objective in managing capital is to ensure that the Company is able to continue as a going concern so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. As well, the Company has to comply with capital requirements as specified under the Securities Brokers (Licensing and Operations) Regulations, 2016 (as well as other relevant directives from regulating bodies issued from time to time).

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets, keeping in view future investment requirements.

## 37 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount that would be received on the sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operations or to undertake a transaction on adverse

Various judgments and estimates are made in determining the fair value of financial instruments that are recognized and measured at fair value in the Company's financial statements. To provide an indication about the reliability of inputs used in determining fair value, financial instruments have been classified into three levels, as prescribed under accounting standards. An explanation of each level follows the table.

	Level I	Level II	Level III	Total
<b>Recurring FV Measurement as at June 30, 2019</b>				
Long-term investment - available-for-sale	-	-	18,314,258	18,314,258
At fair value through profit and loss	28,685,770	-	-	28,685,770
				<u>47,000,028</u>
<b>Recurring FV Measurement as at June 30, 2018</b>				
Long-term investment - available-for-sale	-	-	15,259,068	15,259,068
At fair value through profit and loss	18,196,685	-	-	18,196,685
				<u>33,455,753</u>

In the fair value hierarchy in the preceding table, inputs and valuation techniques are as follows:

- Level 1: Quoted market price (unadjusted) in an active market
  - Level 2: Valuation techniques based on observable inputs
  - Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.
- There were no transfers into or out of Level 1 measurements.

- 37.1 The credit quality of receivables can be assessed by considering reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Bank	Rating Agency	30-Jun-19 Rating	
		Short term	Long term
National Bank of Pakistan	PACRA	A1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Allied Bank Limited	PACRA	A1+	AAA
MCB Bank Limited	PACRA	A1+	AAA
Summit Bank Limited	VIS	A-3	BBB-
Bank Al-Habib Limited	PACRA	A1+	AA+
Dubai Islamic Bank Pakistan Limited	VIS	A1+	AA
Askari Bank Limited	PACRA	A1+	AA+

### 38 RELATED PARTY TRANSACTIONS

The related parties of the Company comprise of shareholders/ directors, key management personnel, entities with common shareholding, entities over which the directors are able to exercise influence and entities under common directorship. Transactions with related parties and the balances outstanding at year end are disclosed in the

- 38.1 Following are the related parties with whom the company had entered into transactions or have arrangement or agreement in place.

Name of Related Party	Relation with the company	Aggregate % of Shareholding
Mr. Khuram Gulzar	Directorship	33.3%
Mrs. Javeria Khuram	Spouse of a director	0.0%

### 39 EVENTS AFTER REPORTING PERIOD

No events occurred after the reporting period that would require adjustment or disclosure in the financial statements.

### 40 NUMBER OF EMPLOYEES

	2019 Number	2018 Number
No. of employees as on June 30, 2019	12	23
Average number of employees during the year	10	22

### 41 RE-CLASSIFICATION AND RE-ARRANGEMENTS

Corresponding figures have been reclassified and re-arranged wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison, and in order to ensure compliance with disclosure requirements in the 5th Schedule to the Companies Act, 2017.

42 CAPITAL ADEQUACY	2019 Rupees	2018 Rupees
<i>Total Assets</i>	115,007,206	124,375,356
<i>Less: Total Liabilities</i>	37,785,990	46,263,420
<i>Less: Revaluation Reserves (created upon revaluation of fixed assets)</i>	-	-
<b>Capital Adequacy Level</b>	<b>77,221,216</b>	<b>78,111,936</b>

While determining the value of the total assets of the Company, the notional value as at June 30, 2019 of the TREC held by the Company has been considered.

### 43 GENERAL


Amounts have been rounded off to the nearest rupee, unless otherwise stated.

### 44 AUTHORIZATION

These financial statements were authorized for issue on OCT 09 2018 by the Board of Directors of the Company.

  
\_\_\_\_\_  
Chief Executive



  
\_\_\_\_\_  
Director