

**DJM SECURITIES (PRIVATE) LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**



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

4<sup>th</sup> Floor, Central Hotel Building,  
Civil Lines, Merewether Road,  
Karachi - Pakistan.  
Tel : +92 (021) 35644872-7  
Fax : +92 (021) 35694573  
Email : mim@bakertillymiq.com  
: mim@mimandco.com

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF DJM SECURITIES (PRIVATE) LIMITED**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the annexed financial statements of **DJM SECURITIES (PRIVATE) LIMITED** (the Company), which comprise the statement of financial position as at **June 30, 2018**, and the statement of comprehensive income, the statement of changes in equity, the cash flow statement 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, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the loss, 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 (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.

*Mi*

**Lahore Office** : 188-D-1, Model Town, Lahore - Pakistan. Tel: +92 (042) 3584 2491, 3586 0550 Fax: +92 (042) 3584 4034  
**Islamabad Office** : 1<sup>st</sup> Floor, Boquival Tower, Street 27A, Crimson Road, Sector-H, DHA Phase-2, Islamabad.  
: Tel: +92 (051) 2101060 +92 (051) 5418644  
**Peshawar Office** : 3<sup>rd</sup> Floor, 152, Deans Trade Center, Islamia Road, Peshawar Cantt., Tel: 091-5253354, 091-5253365  
**Kabul Office** : House 141, Khana-e-Noor High School Street, Near Last Stop of Kabul University, Kabul, Afghanistan.



### **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 in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 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.

*M*



- 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.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017(XIX of 2017);
- b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017), and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).
- e) the Company was in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the statement of financial position was prepared.



BAKER TILLY  
MEHMOOD IDREES  
QAMAR  
CHARTERED ACCOUNTANTS

The engagement partner on the audit resulting in this independent auditor's report is  
*Mehmood A. Razzak.*

*MAR*

*Baker Tilly Mehmood Idrees Qamar*

Karachi

Date: 01 OCT 2018

**DJM SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
<b>ASSETS</b>			
<b>Non - Current Assets</b>			
Property, plant and equipment	4	14,070,400	9,043,420
Intangible assets	5	397,463	417,805
Long term Investment	6	10,811,941	16,029,530
Long term deposits	7	45,879,347	51,109,925
		71,159,151	76,600,680
<b>Current Assets</b>			
Short term investment	8	1,788,610,729	1,380,643,199
Trade debts	9	14,706,154	21,079,255
Advances and other receivables	10	8,993,888	389,647,815
Taxation - net	11	74,158,786	76,990,031
Cash and bank balances	12	17,507,713	27,255,435
		1,903,977,270	1,895,615,735
		<u>1,975,136,421</u>	<u>1,972,216,415</u>
<b>SHARE CAPITAL AND RESERVE</b>			
<b>Authorized Share Capital</b>		<u>250,000,000</u>	<u>250,000,000</u>
25,000,000 Ordinary shares of Rs. 10/- each			
<b>Issued, Subscribed and Paid up Share Capital</b>			
12,500,000 Ordinary shares of Rs. 10/- each	13	125,000,000	125,000,000
Unappropriated profit		1,151,489,506	1,267,710,260
		1,276,489,506	1,392,710,260
<b>Current Liabilities</b>			
Short term borrowing	14	598,518,547	469,151,851
Trade and other payables	15	18,124,450	27,972,332
Directors' loan	16	72,577,530	44,152,530
Loan and advances	17	-	31,999,941
Mark-up payable		9,426,388	6,229,501
		698,646,915	579,506,155
		<u>1,975,136,421</u>	<u>1,972,216,415</u>

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



  
 Chief Executive Officer

  
 Director

**DJM SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
Commission income	18	25,906,323	40,631,626
Administrative expense	19	(33,586,402)	(40,690,915)
<b>Operating (loss)</b>		<b>(7,680,079)</b>	<b>(59,289)</b>
Financial charges	20	(36,734,748)	(38,270,827)
Other (loss) / income	21	(3,139,540)	448,600,336
Unrealized loss on revaluation of investment		(46,776,340)	(140,928,346)
<b>(Loss) / profit before taxation</b>		<b>(94,330,707)</b>	<b>269,341,874</b>
Taxation	22	(21,890,047)	(47,702,245)
<b>(Loss) / profit for the year</b>		<b>(116,220,754)</b>	<b>221,639,629</b>
<b>Statement of other comprehensive income</b>			
Items that may be reclassified to profit and loss account subsequently		-	-
<b>Total comprehensive (loss) / income for the year</b>		<b>(116,220,754)</b>	<b>221,639,629</b>
(Loss) / earnings per share	23	(9.30)	17.73

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

67

  
 Chief Executive Officer

  
 Director

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

	Issued, subscribed and paid up share capital	Unappropriated profit	Total
	----- Rupees -----		
Balance as at July 01, 2016	125,000,000	1,046,070,631	1,171,070,631
Profit for the year ended June 30, 2017	-	221,639,629	221,639,629
Other comprehensive income	-	-	-
Balance as at June 30, 2017	<u>125,000,000</u>	<u>1,267,710,260</u>	<u>1,392,710,260</u>
(Loss) for the year ended June 30, 2018	-	(116,220,754)	(116,220,754)
Other comprehensive income	-	-	-
Balance as at June 30, 2018	<u><u>125,000,000</u></u>	<u><u>1,151,489,506</u></u>	<u><u>1,276,489,506</u></u>

hi

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

  
 \_\_\_\_\_  
 Director



**DJM SECURITIES (PRIVATE) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	2018 Rupees	2017 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(94,330,707)	269,341,874
<b>Adjustments for non cash items and other charges :</b>		
Depreciation	1,973,020	1,382,946
Amortisation	20,342	29,060
Provision for doubtful debts	490,000,000	490,000,000
Appreciation in value of short term investments	46,776,340	140,928,346
Financial charges	36,734,748	38,270,827
	575,504,450	670,611,179
<b>Operating profit before working capital changes</b>	<b>481,173,743</b>	<b>939,953,053</b>
<b>(Increase) / decrease in current assets</b>		
Short term investment	(454,743,870)	(23,582,231)
Trade debts	(483,626,899)	(433,747,741)
Advances and other receivables	380,653,927	(384,053,995)
	(557,716,842)	(841,383,967)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	(9,847,882)	5,359,805
Directors' loan	28,425,000	16,986,366
Loan and advances	(31,999,941)	-
	(13,422,823)	22,346,171
Financial charges paid	(33,537,861)	(44,230,120)
Taxes paid	(19,058,802)	(65,214,130)
<b>Net cash (used in) / inflow from operating activities</b>	<b>(142,562,585)</b>	<b>11,471,007</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(7,000,000)	(7,814,580)
Long term investment	5,217,589	24,044,300
<b>Net cash (used in) / inflow from investing activities</b>	<b>(1,782,411)</b>	<b>16,229,720</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term deposits	5,230,578	99,098,731
<b>Net cash inflow from financing activities</b>	<b>5,230,578</b>	<b>99,098,731</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(139,114,418)</b>	<b>126,799,458</b>
Cash and cash equivalents at beginning of the year	(441,896,416)	(568,695,875)
<b>Cash and cash equivalents at end of the year</b>	<b>24 (581,010,834)</b>	<b>(441,896,416)</b>

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



  
 Chief Executive Officer

  
 Director

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

**1. NATURE OF BUSINESS AND OPERATIONS**

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

**2. SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING PERIOD**

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- The company's profit has been significantly reduced due to the uncertain political situations during the year.
- The brokerage commission is now covered under final tax regime.

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

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- Useful lives, residual values and depreciation method of property, plant and equipment – Note 3.4 & 4
- Useful lives, residual values and amortization method of intangible assets – Note 3.5 & 5.1
- Provision for doubtful trade receivables – Note 3.8 & 9
- Current income tax expense and provision for current tax - Note 3.13, 11 & 22

**3.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of such International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 (the Act), provisions of and directives issued under the Companies Act, 2017, relevant requirements of Securities Brokers (Licensing and Operations) Regulations 2016 and section 78 of securities Act, 2015. Where provisions of and directives issued under the Companies Act, 2017, relevant requirements of Securities Brokers (Licensing and Operations) Regulations 2016 and section 78 of securities Act, 2015 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, relevant requirements of Securities Brokers (Licensing and Operations) Regulations 2016 and section 78 of securities Act, 2015 shall prevail.

**3.2 Changes in accounting standards and interpretations**

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

'IAS 7, 'Statement of Cash Flows' amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. In the first year of adoption, comparative

The change may impact the disclosures of the Company's annual financial statements.



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

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2017, but are considered not to be relevant or have any significant effect on the Company's reporting and are therefore, not disclosed in these financial statements.

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

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after July 1, 2018, that may have an impact on the financial statements of the

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

### **3.3 Financial instruments**

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

### **3.4 Property, plant and equipment**

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

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

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

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

### 3.5 Intangible assets

An intangible asset is recognized as an asset if it is probable that the economic benefits attributable to the assets will flow to the company and cost of the asset can be measured reliably. This is stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount. Where the carrying amount exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

#### 3.5.1 Computer software

Expenditure incurred to acquire identifiable computer software and having probable economic benefits exceeding the costs beyond one year, is recognized as an intangible asset. Such expenditure includes the purchase cost of software (license fee) and related overhead cost.

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

Computer software and license costs are stated at cost less accumulated amortization and any identified impairment loss and amortized through reducing balance method using the rate specified in notes to the financial statements.

### 3.6 Membership cards

This is stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

### 3.7 Investments

#### *Investment at fair value through profit or loss*

Investment classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. At subsequent dates these investment are measured at fair value with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investment is determined on the basis of prevailing market prices.

#### *Available for sale*

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale.

#### *Sale and Purchase Agreements*

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

### 3.8 Trade and other receivables

Trade and other receivables are initially recognized at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at cost as reduced by appropriate provision for trade debts and other receivables considered to be doubtful. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is charged to profit and loss. Trade and other receivables considered irrecoverable are written off.

### 3.9 Cash and cash equivalents

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

### 3.10 Provisions

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

### 3.11 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

### 3.12 Revenue recognition

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

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

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

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

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

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

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

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

### 3.13 Taxation

#### Current

The charge of the current year taxation is based on taxable income after considering the rebates and tax credits available, if any. The company's revenue also falls under final tax regime to the Income Tax Ordinance, 2001.

#### Deferred

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

### 3.14 Off setting

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

### 3.15 Related party transactions

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

4. PROPERTY, PLANT AND EQUIPMENT

Office premises	Office equipment	Office furniture	Computer	Generator	Vehicles	Total
----- Rupees -----						

Year ended June 30, 2017

Opening net book value	1,251,806	346,045	939,487	60,849	13,598	-	2,611,785
Additions (at cost)	-	-	-	-	-	7,814,580	7,814,580

Disposals

Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-

Depreciation charge for the year	(62,590)	(34,605)	(93,949)	(18,255)	(1,360)	(1,172,187)	(1,382,946)
----------------------------------	----------	----------	----------	----------	---------	-------------	-------------

<b>Net Book Value</b>	<b>1,189,216</b>	<b>311,440</b>	<b>845,538</b>	<b>42,594</b>	<b>12,238</b>	<b>6,642,393</b>	<b>9,043,420</b>
-----------------------	------------------	----------------	----------------	---------------	---------------	------------------	------------------

As at June 30, 2017

Cost	2,316,614	1,037,889	3,466,860	1,840,247	39,000	7,814,580	16,515,190
Accumulated depreciation	(1,127,398)	(726,449)	(2,621,322)	(1,797,653)	(26,762)	(1,172,187)	(7,471,770)

<b>Net Book Value</b>	<b>1,189,216</b>	<b>311,440</b>	<b>845,538</b>	<b>42,594</b>	<b>12,238</b>	<b>6,642,393</b>	<b>9,043,420</b>
-----------------------	------------------	----------------	----------------	---------------	---------------	------------------	------------------

Year ended June 30, 2018

Opening net book value	1,189,216	311,440	845,538	42,594	12,238	6,642,393	9,043,420
Additions (at cost)	-	-	-	-	-	7,000,000	7,000,000

Disposals

Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-

Depreciation charge for the year	(59,461)	(31,144)	(84,554)	(12,778)	(1,224)	(1,783,859)	(1,973,020)
----------------------------------	----------	----------	----------	----------	---------	-------------	-------------

<b>Net Book Value</b>	<b>1,129,755</b>	<b>280,297</b>	<b>760,984</b>	<b>29,816</b>	<b>11,014</b>	<b>11,858,534</b>	<b>14,070,400</b>
-----------------------	------------------	----------------	----------------	---------------	---------------	-------------------	-------------------

As at June 30, 2018

Cost	2,316,614	1,037,889	3,466,860	1,840,247	39,000	14,814,580	23,515,190
Accumulated depreciation	(1,186,859)	(757,592)	(2,705,876)	(1,810,431)	(27,986)	(2,956,046)	(9,444,790)

<b>Net Book Value</b>	<b>1,129,755</b>	<b>280,297</b>	<b>760,984</b>	<b>29,816</b>	<b>11,014</b>	<b>11,858,534</b>	<b>14,070,400</b>
-----------------------	------------------	----------------	----------------	---------------	---------------	-------------------	-------------------

Annual rate depreciation	5%	10%	10%	30%	10%	15%
--------------------------	----	-----	-----	-----	-----	-----

5. INTANGIBLE ASSETS

	Note	2018 Rupees	2017 Rupees
Computer software	5.1	47,463	67,805
Trading Right Entitlement Certificate (TREC)	5.2	100,000	100,000
Membership card	5.3	250,000	250,000
		<u>397,463</u>	<u>417,805</u>

*[Handwritten signature]*

	2018 Rupees	2017 Rupees
<b>5.1 Computer software</b>		
<u>Cost</u>		
Opening value	1,550,000	1,550,000
Addition during the year	-	-
<b>Less: Amortization</b>		
Opening value	1,482,195	1,453,135
Amortization for the year the year	20,342	29,060
Closing value	1,502,537	1,482,195
<b>Written down value (WDV)</b>	<u>47,463</u>	<u>67,805</u>
<b>Annual rate amortization (%)</b>	<u>30%</u>	<u>30%</u>

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

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

	Note	2018 Rupees	2017 Rupees
<b>6. LONG TERM INVESTMENT - Available for sale</b>			
Investment in Share of Pakistan Stock Exchange Limited	6.1	<u>10,811,941</u>	<u>16,029,530</u>

6.1 Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act) the ownership in a Stock Exchange has been segregated from the right to trade on the Exchange. Accordingly, the Company has received equity shares of KSE and a Trading Right Entitlement (TRECs) in lieu of it membership card of KSE. The Company's entitlement in respect of KSE's shares is determined on the basis of valuation of assets and liabilities of KSE as approved by SECP and the Company has been allotted 4,007,383 shares of the face value of Rs. 10/- each, out of which 2,404,430 shares are kept in the blocked account and the divestment of the same will be made in accordance with the requirements of the Act within two years from the date of Demutualization.

In the current period, the Securities and Exchange Commission of Pakistan accorded its approval to Pakistan Stock Exchange Limited for issuing letter of acceptance to a Chinese Consortium for the strategic sale of 40% of shares against a consideration of \$85.6 million at offer price of Rs. 28 per share.

PSX vide their letter dated 29 December 2016 informed the Company that 40% shares (out of 60% of total shareholding in PSX), which were in held blocked form in terms of Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012, have been sold to Chinese consortium by the Divestment Committee at an offer price of Rs. 28 per share. Formal signing ceremony was held on 20 January 2017 to mark the signing of the Share Purchase Agreement between the Chinese Consortium and the divestment committee of PSX.

As per the above mentioned letter, 10% of the consideration amount will be retained for a period of one year to settle any outstanding liabilities of PSX and as such the portion of sale after deduction, if any, will be remitted to the designated bank account maintained by the Company after the expiry of the specified time period.

On March 2017, PSX informed the brokerage house that 90% of sale proceeds of 40% PSX shares has been disbursed into the designated bank accounts of the shareholders and the remaining 10% of the amount is held for a period of one year to settle any outstanding liabilities of PSX which will be released after the specified time and this amount has been released during the year.

*Handwritten signature*

	Note	2018 Rupees	2017 Rupees
<b>7. LONG TERM DEPOSITS</b>			
Long term deposits	7.1	45,879,347	51,109,925
		<u>45,879,347</u>	<u>51,109,925</u>

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

	Note	2018 Rupees	2017 Rupees
<b>8. SHORT TERM INVESTMENT - fair value through profit and loss</b>			
Investment in listed securities	8.1	<u>1,788,610,729</u>	<u>1,380,643,199</u>
<b>8.1 Gain / (loss) on re-measurement of investment at fair value through profit and loss - held for trading</b>			
Market value		1,788,610,729	1,380,643,199
Cost of Investment		1,964,024,371	1,509,280,501
Fair value (loss) (unrealized)		<u>(175,413,642)</u>	<u>(128,637,302)</u>

**9. TRADE DEBTS**

Trade debts - Considered good	14,706,154	21,079,255
Considered doubtful	490,000,000	490,000,000
	504,706,154	511,079,255
Less: Provision for doubtful debts	(490,000,000)	(490,000,000)
	<u>14,706,154</u>	<u>21,079,255</u>

9.1. The aging analysis of the trade debts upto thirty days, more than thirty days to upto ninety days and more then ninety days are amounting to Rs. 832,193, Rs. 1,920,294 and Rs. 11,953667 respectively.

	2018 Rupees	2017 Rupees
<b>10. ADVANCES AND OTHER RECEIVABLES</b>		
Advance against right issue	3,986,400	328,200,000
Receivables from PSX/NCCPL	4,994,139	29,314,396
Other receivables	13,349	32,133,419
	<u>8,993,888</u>	<u>389,647,815</u>

**11. TAXATION - NET**

Opening balance	76,990,031	59,390,530
Add: Paid / deducted during the year	19,058,802	65,214,129
	96,048,833	124,604,659
Less: Provision for taxation		
Current	19,058,414	51,378,844
Prior	2,831,633	(3,764,216)
	21,890,047	47,614,628
	<u>74,158,786</u>	<u>76,990,031</u>

*WJ*



12. CASH AND BANK BALANCES	Note	2018 Rupees	2017 Rupees
Cash in hand		5,350	2,316
<b>Cash at banks:</b>			
- Current accounts		15,465	32,221
- Saving accounts	12.1	17,486,898	27,220,898
		<u>17,507,713</u>	<u>27,255,435</u>

12.1 Mark-up rate on bank profit ranges form 3.82% to 4.08% (2017: 3.7% to 3.82%).

12.2 This include Rs. 17,169,749 (2017: 26,990,389) kept in designated bank accounts maintained on behalf of clients.

13. SHARE CAPITAL		2018 Rupees	2017 Rupees
<b>Authorized Share Capital</b>			
	<b>Number of Shares</b>		
	2018	2017	
	<u>25,000,000</u>	<u>25,000,000</u>	Ordinary shares of Rs.10/- each
		<u>250,000,000</u>	<u>250,000,000</u>
<b>Issued, Subscribed and Paid-up Share Capital</b>			
	<b>Number of Shares</b>		
	2018	2017	
	<u>12,500,000</u>	<u>12,500,000</u>	Ordinary shares of Rs.10/- each fully paid in cash
		<u>125,000,000</u>	<u>125,000,000</u>

13.1 Pattern of shareholding

Name of Shares holders	2018 Percentage	2017 Percentage	2018 Number of Shares	2017 Number of Shares
Dawood Jan Muhammad	66%	66%	8,200,000	8,200,000
Muhammad Yaqoob	31%	31%	3,900,000	3,900,000

14. SHORT TERM BORROWING	Note	2018 Rupees	2017 Rupees
NIB Bank Limited	14.1	-	260,533,350
Bank Al Habib Limited	14.2	598,518,547	208,618,501
		<u>598,518,547</u>	<u>469,151,851</u>

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

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

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

*Handwritten signature*

	Note	2018 Rupees	2017 Rupees
<b>15. TRADE AND OTHER PAYABLES</b>			
Trade payables		17,169,750 ₨	26,690,385
Accrued and other liabilities		954,700 ₨	1,281,947
Workers' welfare fund		-	-
		<u>18,124,450</u>	<u>27,972,332</u>
<b>16. DIRECTORS' LOAN</b>			
Mr. Dawood Jan Muhammad	16.1	50,000,000 ₨	21,575,000
Mr. Muhammad Yaqoob	16.1	22,577,530 ₨	22,577,530
		<u>72,577,530</u>	<u>44,152,530</u>
16.1 This represents unsecured interest free directors' loan to company, payable on demand.			
<b>17. LOAN AND ADVANCES</b>			
Loan payable	17.1	-	31,999,941
17.1 This represents loan at nil mark-up, payable on demand.			
<b>18. COMMISSION INCOME</b>			
Brokerage commission	18.1	25,906,323	40,631,626
		<u>25,906,323</u>	<u>40,631,626</u>
<b>18.1 Brokerage commission</b>			
Gross brokerage commission		29,277,003	45,950,906
Less: Sales tax and FED		(3,370,680)	(5,319,280)
		<u>25,906,323</u>	<u>40,631,626</u>
<b>19. ADMINISTRATIVE EXPENSE</b>			
Director remuneration		2,520,000	2,520,000
Staff salary and benefits		7,038,315	5,014,656
Utilities		1,948,300	1,981,739
Auditors' remuneration	19.1	187,000	200,000
Rent, rate and taxes		977,594	186,302
Entertainment		291,120	731,510
Printing and stationery		78,650	206,840
Travelling and conveyance		1,044,620	934,698
Repair and maintenance expense		242,232	952,260
Fee and subscription charges		7,849,112	13,003,276
Donation	19.2 & 19.3	7,800,000	12,000,000
Legal and professional charges		15,450	32,000
Depreciation and amortization	4 & 5.1	1,993,361	1,412,006
Miscellaneous expenses		1,600,648	1,515,628
		<u>33,506,001</u>	<u>40,690,915</u>

*Handwritten signature*

	2018 Rupees	2017 Rupees
<b>19.1 Auditors' Remuneration</b>		
<b>Audit services</b>		
Audit fee	130,000	130,000
Out of pocket expenses	20,000	20,000
<b>Non-audit services</b>		
Certifications for regulatory purposes	37,000	50,000
	<u>187,000</u>	<u>200,000</u>

19.2 The names of donees to whom donation is equal to or exceeds Rs. 0.5 million are All Pakistan Memon Federation, Bantva town memon welfare committee, memon health and education foundation and the Indus Hospital.

19.3 None of the directors or their spouses had any interest in the donees.

	2018 Rupees	2017 Rupees
<b>20. FINANCIAL CHARGES</b>		
Mark-up on bank overdraft	36,452,481*	38,011,840
Bank charges	282,267	258,987
	<u>36,734,748</u>	<u>38,270,827</u>
<b>21. OTHER INCOME / (LOSS)</b>		
Profit on bank saving accounts	691	13,327
Commission on shares listing	-	1,324,668
Capital (loss) / gain on sale of investment	(53,989,843)	389,619,856
Dividend income	50,849,612	57,642,485
	<u>(3,139,540)</u>	<u>448,600,336</u>
<b>21.1</b>		
Mark-up rate on bank profit ranges from 3.82% to 4.08% (2017: 3.7% to 3.82%).		
<b>22. TAXATION</b>		
Current for the year	19,058,414	51,378,844
Prior year charge	2,831,633	(3,764,216)
Provision for deferred taxation	-	87,617
	<u>21,890,047</u>	<u>47,702,245</u>
<b>23. (LOSS) / EARNINGS PER SHARE</b>		
(Loss) / profit for the year	(116,220,754)	221,639,629
Weighted average number of ordinary shares	12,500,000	12,500,000
	<u>(9.30)</u>	<u>17.73</u>
<b>24. CASH AND CASH EQUIVALENT</b>		
Cash and bank balances	17,507,713	27,255,435
Bank overdraft	(598,518,547)	(469,151,851)
	<u>(581,010,834)</u>	<u>(441,896,416)</u>

*Wij*

25. PLEDGE SECURITIES

No. of Securities: Value

Pledged to financial institutions on behalf of brokerage house	29,900,100	1,362,053,205
Pledged to financial institutions on behalf of Clients	793,000	42,855,635

26. CUSTOMERS ASSETS HELD IN CDC

The house holds approx 18.5 million securities of his clients in the clients CDC sub accounts having fair value of Rs. 554 Million.

27. REMUNERATION OF DIRECTORS AND CHIEF EXECUTIVE

	CHIEF EXECUTIVE		DIRECTORS	
	2018	2017	2018	2017
	----- Rupees -----			
Managerial remuneration	640,000	640,000	1,040,000	1,040,000
House rent allowance	256,000	256,000	416,000	416,000
Utilities	64,000	64,000	104,000	104,000
	<b>960,000</b>	<b>960,000</b>	<b>1,560,000</b>	<b>1,560,000</b>
Number of persons	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>

28. NUMBER OF EMPLOYEES

The number of employees as at June 30, 2018 were 20 (2017: 17) and average number of employees are 18 and (2017: 16).

29. RELATED PARTY TRANSACTIONS

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

Name and relation with the related Party	Percentage Shareholding	Transactions during the year and year end balances	2018 Rupees	2017 Rupees
Dawood Jan Muhammad Director	66%	Vehicle purchase	7,000,000	-
		Loan provided during the year	618,500,000	593,000,000
		Repayment of loan during the year	590,075,000	586,425,000
		Loan Payable due at the year end	50,000,000	21,575,000
Muhammad Yaqoob Director	31%	Loan Payable due at the year end	22,577,530	22,577,530

*M. J.*

30. FINANCIAL ASSETS AND LIABILITIES

Mark-up bearing			Non-Mark-up bearing			2018 Total
Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year	Sub-Total	

----- Rupees -----

**Financial Assets**

Investment - at fair value through p	-	-	-	1,788,610,729	-	1,788,610,729	1,788,610,729
Investment - available for sale	-	-	-	-	10,811,941	10,811,941	10,811,941
<b>Receivables at amortized cost</b>							
Long term deposits	-	-	-	-	45,879,347	45,879,347	45,879,347
Trade debts	-	-	-	14,706,154	-	14,706,154	14,706,154
Receivables	-	-	-	8,993,888	-	8,993,888	8,993,888
Cash and bank balances	17,486,898	-	17,486,898	20,815	-	20,815	17,507,713
	<b>17,486,898</b>	<b>-</b>	<b>17,486,898</b>	<b>1,812,331,586</b>	<b>56,691,288</b>	<b>1,869,022,874</b>	<b>1,886,509,773</b>

**Financial Liabilities**

**At amortised cost**

Short term borrowing	598,518,547	-	598,518,547	-	-	-	598,518,547
Trade and other payables	-	-	-	18,124,450	-	18,124,450	18,124,450
Directors' loan	-	-	-	72,577,530	-	72,577,530	72,577,530
Mark-up payable	9,426,388	-	9,426,388	-	-	-	9,426,388
	<b>607,944,935</b>	<b>-</b>	<b>607,944,935</b>	<b>90,701,980</b>	<b>-</b>	<b>90,701,980</b>	<b>698,646,915</b>

Mark-up bearing			Non-Mark-up bearing			2017 Total
Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year	Sub-Total	

----- Rupees -----

**Financial Assets**

Investment - at fair value through p	-	-	-	1,380,643,199	-	1,380,643,199	1,380,643,199
Investment - available for sale	-	-	-	-	16,029,530	16,029,530	16,029,530
<b>Receivables at amortized cost</b>							
Long term deposits	-	-	-	-	51,109,925	51,109,925	51,109,925
Trade debts	-	-	-	21,079,255	-	21,079,255	21,079,255
Receivables	-	-	-	389,647,815	-	389,647,815	389,647,815
Cash and bank balances	27,220,898	-	27,220,898	34,537	-	34,537	27,255,435
	<b>27,220,898</b>	<b>-</b>	<b>27,220,898</b>	<b>1,791,404,806</b>	<b>67,139,455</b>	<b>1,858,544,261</b>	<b>1,885,765,159</b>

**Financial Liabilities**

**At amortised cost**

Short term borrowing	469,151,851	-	469,151,851	-	-	-	469,151,851
Trade and other payables	-	-	-	27,972,332	-	27,972,332	27,972,332
Directors' loan	-	-	-	44,152,530	-	44,152,530	44,152,530
Loan and advances	-	-	-	31,999,941	-	31,999,941	31,999,941
Mark-up payable	6,229,501	-	6,229,501	-	-	-	6,229,501
	<b>475,381,352</b>	<b>-</b>	<b>475,381,352</b>	<b>104,124,803</b>	<b>-</b>	<b>104,124,803</b>	<b>579,506,155</b>

*Handwritten signature*

### 31. FINANCIAL RISK MANAGEMENT

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

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

#### 31.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

- **Interest rate risk exposure**

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Company has financial instruments with both fixed and floating interest rates as specifically disclosed in the respective notes. The Company while dealing in financial instruments negotiates attractive interest rates, which reduces the interest rate price risk.

- **Equity price risk**

Equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. During the year the Company does not have any exposure to equity price risk.

#### 31.2 Liquidity risk

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

#### 31.3 Credit Risk

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

### 32. CAPITAL RISK MANAGEMENT

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

In order to maintain the balance of its capital structure the company may consider injecting further equity or issuing fresh debt. The company monitors its capital on the basis of its gearing ratio. Debt is calculated as total borrowings including both long term and short term borrowings. The gearing ratio as at 30 June, 2018 and 2017 was as follows:

	2018 Rupees	2017 Rupees
Total borrowings	598,518,547	469,151,851
Paid up capital	125,000,000	125,000,000
Unappropriated profit	1,151,489,506	1,267,710,260
	1,276,489,506	1,392,710,260
<b>Gearing ratio</b>	<b>32%</b>	<b>25%</b>

**33. CAPITAL ADEQUACY LEVEL**

Total assets	1,975,136,421	1,972,216,415
Less: Total liabilities	(698,646,915)	(579,506,155)
<b>Capital Adequacy Level</b>	<b>1,276,489,506</b>	<b>1,392,710,260</b>

**34. DATE OF AUTHORIZATION**

These Financial statements were authorized on 01 OCT 2018 by the Board of Directors of the Company.

**35. CORRESPONDING FIGURES**

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

**36. GENERAL**

Figures have been rounded off to the nearest rupee.

WJ

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

  
 \_\_\_\_\_  
 Director

Baker Tilly Mehmood Idrees Qamar  
Chartered Accountants  
4th Floor, Central Hotel Building,  
Civil Lines, Mereweather Road,  
Karachi - Pakistan

T: +92 (021) 35644872-7  
F: +92 (021) 35644873

info@bakertilly.pk  
[www.bakertilly.pk](http://www.bakertilly.pk)

**INDEPENDENT AUDITORS' REPORT ON STATEMENT OF NET CAPITAL BALANCE  
TO THE CHIEF EXECUTIVE OFFICER OF DJM SECURITIES (PRIVATE) LIMITED**

**Opinion**

We have audited the Statement of Net Capital Balance of **DJM Securities (Private) Limited** (the Securities Broker) and notes to the Statement of Net Capital Balance as at December 31, 2018 (together 'the statement').

In our opinion, the financial information in the statement of the Securities Broker as at December 31, 2018 is prepared, in all material respects, in accordance with the requirements of the Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) read with Rule 2(d) of the Securities Exchange Commission (SEC) Rules 1971 (SEC Rules 1971) issued by the Securities & Exchange Commission of Pakistan (SECP).

**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 statement section of our report. We are independent of the Securities Broker in accordance with the ethical requirements that are relevant to our audit of the statement in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter - Basis of Accounting and Restriction on Distribution**

We draw attention to Note 1 to the statement, which describes the basis of accounting. The statement is prepared to assist the Securities Broker to meet the requirements of the SECP, Pakistan Stock Exchange (PSX) and National Clearing Company of Pakistan Limited (NCCPL). As a result, the statement may not be suitable for another purpose. Our report is intended solely for the Securities Broker, SECP, PSX and NCCPL and should not be distributed to parties other than the Securities Broker or the SECP, PSX or NCCPL. Our opinion is not modified in respect of this matter.





### **Responsibilities of Management and Those Charged with Governance for the statement**

Management is responsible for the preparation of the statement in accordance with the Regulations and the SEC Rules 1971, and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Those charged with governance is responsible for overseeing the Securities Broker's financial reporting process.

### **Auditor's Responsibilities for the Audit of the statement**

Our objectives are to obtain reasonable assurance about whether the statement is 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 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 this statement.

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

- Identify and assess the risks of material misstatement of the statement, 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 Securities Broker's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

A handwritten signature in black ink, appearing to be the initials "DJM".

We communicate with those charged with governance 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.

*Mehmood A. Razzak*  
Engagement Partner, Mehmood A. Razzak

Karachi.

Date: 05 MAR 2019


Certified to be True Copy  
Company Secretary  
DJM Securities (Private) Limited

**SCHEDULE II REGULATION 6(3)  
COMPUTATION OF NET CAPITAL BALANCE  
DJM SECURITIES (PRIVATE) LIMITED  
AS AT DECEMBER 31, 2018**

	Note	<u>RUPEES</u>	<u>RUPEES</u>
<b>CURRENT ASSETS</b>			
<b>1. CASH IN HAND AND BANK BALANCES</b>			
1.1			-
Cash deposited as margins with Stock Exchanges and National Clearing Company of Pakistan Limited			
1.2			
Clients' Bank Account Balance			
a)		720,919	
		9,492,788	
b)			10,213,707
c)			2,316
1.3			2,316
<b>2. TRADE RECEIVABLES</b>			
2.1 Aging and break up of Trade Receivables			
a)			
Aging of trade receivables			
i)		18,748,922	
		(16,823,119)	
ii)			1,925,803
iii)			-
<b>3. INVESTMENT IN LISTED SECURITIES IN THE NAME OF BROKERAGE HOUSE</b>			
3.1			
Securities on exposure list (With reference to clarification no. 3.3A of SECP letter no. SMID-/SSED-C&IW-(633)/2016, dated September 08, 2016)			
		1,500,486,565	
		(225,072,985)	
			1,275,413,580
<b>4. SECURITIES PURCHASED FOR CLIENT</b>			
<b>5. PIBS</b>			
<b>TOTAL ASSETS</b>			<b><u>1,287,555,406</u></b>
<b>CURRENT LIABILITIES</b>			
<b>6. TRADE PAYABLES</b>			
6.1			2,367,443
<b>7. OTHER PAYABLES</b>			
7.1			
		712,300,387	
7.2	2	7,123,583	
			719,423,970
<b>TOTAL LIABILITIES</b>			<b><u>721,791,413</u></b>
<b>NET CAPITAL BALANCE</b>			<b><u>565,763,993</u></b>

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

  
\_\_\_\_\_  
Director



  
Certified True Copy  
Company Secretary  
DJM Securities (Private) Limited

**DJM SECURITIES (PRIVATE) LIMITED  
EXPLANATORY NOTES OF NET CAPITAL BALANCE  
AS AT DECEMBER 31, 2018**

**1. BASIS OF PREPARATION**

The Statement of Net Capital Balance (the Statement) of DJM Securities (Private) Limited (the Company) has been prepared in conformity with the requirements of the Third Schedule read with rule 2(d) of the Securities and Exchange (SEC) Rules, 1971 and the Securities Brokers (Licensing And Operations) Regulations, 2016 (Regulations) Schedule II Reg 6(3) and the guidelines issued by Securities and Exchange Commission of Pakistan (SECP) from time to time.

**2. ACCRUED AND OTHER LIABILITIES**

	<u>RUPEES</u>
Short term borrowing	677,027,027
Directors' loan	22,577,530
Mark-up payable to bank	10,735,974
Accrued and other liabilities	1,959,857

712,300,387

*BS*

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

  
\_\_\_\_\_  
Director

**Certified to be True Copy**  
Company Secretary  
DJM Securities (Private) Limited