

**Zillion Capital Securities  
(Private) Limited  
Financial statements  
For the year ended  
June 30, 2018**



# ZILLION CAPITAL SECURITIES (PVT) LTD.

TREC Holder : Pakistan Stock Exchange Limited.

(FORMERLY : KARACHI STOCK EXCHANGE LIMITED.)

## DIRECTOR'S REPORT

On behalf of the Board of Directors I am pleased to present the Annual report together with the company's Audited Financial Statement and Auditors Report for the Financial year ended 30<sup>th</sup> June 2018. The Summarized results for the year ended 30<sup>th</sup> June 2018 are as under:

Financial results	2018
Operating Revenue	7,676,065
Loss before Taxation	(16,497,501)
Taxation	2,090,819
Loss after Tax	(18,588,320)

### AUDITORS:

The auditors M/S UHY Hassan Naeem & co retire at the conclusion of the meeting being eligible, they have offered themselves for re-appointment.

### CONCLUSION:

The Directors appreciate assistance and co-operation extended by customers and employees of the company.

For and on behalf of the Board

Chief Executive

Date: October 19, 2018

Karachi

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## INDEPENDENT AUDITOR'S REPORT

To the members of ZILLION CAPITAL SECURITIES (PRIVATE) LIMITED

### Report on the Audit of the Financial Statements

#### Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flow together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit for the year then ended; and other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan / Institute of Cost and management Accountants (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

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

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

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

### Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017;
- b) the statement of financial position, the statement of profit or loss and other comprehensive income or the income and expenditure account, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

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

UHY Hassan Naeem & Co.

KARACHI

DATE: 27 SEP 2018

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

	Note	2018 (Rupees)	2017 (Rupees)
<b><u>ASSETS</u></b>			
<b><u>NON CURRENT ASSETS</u></b>			
Property and equipment	4	4,553,407	2,678,073
Intangible assets	5	2,750,000	5,250,000
Investment - available for sale	6	21,353,582	41,163,833
Long term deposits	7	7,450,000	27,438,268
		<b>36,106,989</b>	<b>76,530,174</b>
<b><u>CURRENT ASSETS</u></b>			
Trade debts	8	45,630,209	55,722,499
Short term investment	9	77,380,123	94,526,079
Advances, deposits, prepayments and other receivables	10	42,765,780	40,362,815
Cash and bank balances	11	8,751,299	7,816,879
		<b>174,527,411</b>	<b>198,428,272</b>
		<b>210,634,400</b>	<b>274,958,446</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b><u>CAPITAL RESERVES</u></b>			
Authorized capital	12.1	150,000,000	150,000,000
Issued, subscribed and paid-up capital	12.2	101,500,000	101,500,000
Surplus/(Deficit) - Investment available for sale		12,625,870	32,436,121
Unappropriated profit		36,966,237	55,554,556
		<b>151,092,107</b>	<b>189,490,677</b>
<b><u>LIABILITIES</u></b>			
<b><u>NON-CURRENT LIABILITIES</u></b>			
Long term loan	13	7,500,000	9,000,000
<b><u>CURRENT LIABILITIES</u></b>			
Trade and other payable	14	10,285,750	11,742,791
Short term running finance	15	41,756,543	63,424,978
Loan from Directors		-	1,300,000
		<b>52,042,293</b>	<b>76,467,769</b>
Contingencies and commitments	16	-	-
		<b>210,634,400</b>	<b>274,958,446</b>

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


  
 Chief Executive

  
 Director

**ZILLION CAPITAL SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF PROFIT AND LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 (Rupees)	2017 (Rupees)
Operating revenue	17	7,676,065	16,389,038
Operating and administrative expenses	18	(13,704,670)	(16,541,326)
Impairment	5.2	(2,500,000)	-
Operating (Loss)		(8,528,605)	(152,287)
Provision for Bad Debts		-	(5,000,000)
Finance cost	19	(4,345,539)	(8,076,426)
Other income	20	(3,623,357)	44,162,246
<b>NET PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(16,497,501)</b>	<b>30,933,533</b>
Taxation	21	(2,090,819)	(613,384)
<b>NET PROFIT/(L AFTER TAXATION)</b>		<b>(18,588,320)</b>	<b>30,320,149</b>
<b>Earning/(loss) per share-basic and diluted</b>		<b>(18.31)</b>	<b>29.87</b>

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

  
 Chief Executive

  
 Director

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

	2018 <i>(Rupees)</i>	2017 <i>(Rupees)</i>
Profit/(loss) for the year	(18,588,320)	30,320,149
<b>Other comprehensive income:</b>		
Unrealised gain on revaluation of investments available for sale	(19,810,251)	32,436,121
<b>TOTAL COMPREHENSIVE INCOME</b>	<u><u>(38,398,571)</u></u>	<u><u>62,756,270</u></u>

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



Chief Executive





Director

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

	Issued, subscribed and paid-up capital	Accumulated Profit/(Loss)	surplus/(Deficit) on investment available for sale	Total
	-----Rupees-----			
Balance as at June 30, 2016	101,500,000	25,234,407	-	126,734,407
Net profit for the year	-	30,320,149	-	30,320,149
surplus/(Deficit) on investment available for sale	-	-	32,436,121	32,436,121
<b>Balance as at June 30, 2017</b>	<b>101,500,000</b>	<b>55,554,556</b>	<b>32,436,121</b>	<b>189,490,677</b>
Net profit for the year	-	(18,588,320)	-	(18,588,320)
surplus/(Deficit) on investment available for sale	-	-	(19,810,251)	(19,810,251)
<b>Balance as at June 30, 2018</b>	<b>101,500,000</b>	<b>36,966,236</b>	<b>12,625,870</b>	<b>151,092,106</b>

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

  
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 Chief Executive

  
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 Director

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

	Note	2018 (Rupees)	2017 (Rupees)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		(16,497,501)	30,933,533
<b><u>Adjustment for non-cash items:</u></b>			
Depreciation		561,164	458,433
Capital Gain - Investment available for sale		9,066,838	(53,790,215)
Dividend income		(3,192,344)	(2,435,862)
Capital Loss on short term investment		(215,279)	15,136,632
Gain on disposal of fixed assets		-	(398,215)
Finance cost		4,345,539	8,076,426
Provision for doubtful debts		-	5,000,000
Impairment-TREC		2,500,000	-
Operating profit before working capital changes		(3,431,583)	(27,952,801)
<b><u>Changes in working capital</u></b>			
Decrease in trade debts		10,092,291	108,336,236
(Increase) in advances, deposits and prepayments		(2,799,824)	(26,954,663)
(Increase) in long term deposits		19,988,268	(20,983,459)
(Decrease) in trade and other payable		(1,457,041)	(8,160,019)
<b>Net changes in working capital</b>		<b>25,823,694</b>	<b>52,238,095</b>
Finance cost paid		(4,345,539)	(7,384,635)
Taxes paid		(1,693,960)	(5,095,269)
<b>Net cash generated from operating activities</b>		<b>16,352,612</b>	<b>42,738,922</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment		(2,436,498)	(1,214,956)
Proceeds from investment available for sale		-	66,881,783
Proceeds from sale of property and equipment		-	700,000
Dividend received		3,192,344	2,435,863
Short term investment		8,294,397	(93,826,050)
<b>Net cash generated from investing activities</b>		<b>9,050,243</b>	<b>(25,023,360)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
short term loan		(1,300,000)	-
short term running finance		(21,668,436)	-
Loan from directors		(1,500,000)	300,000
<b>Net cash generated from financing activities</b>		<b>(24,468,436)</b>	<b>300,000</b>
Net increase in cash and cash equivalent		934,419	18,015,562
Cash and cash equivalent at beginning of the year		7,816,879	(73,623,662)
Cash and cash equivalent at end of the year		<b>8,751,298</b>	<b>(55,608,099)</b>

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

  
 Chief Executive

  
 Director

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

**1 Legal Status and Nature of Business**

Zillion Capital Securities (Private) limited was incorporated under the repealed Companies Ordinance, 1984 on June 07, 2001 as a private limited company. The Company is a corporate member of Pakistan Stock Exchange Limited. The registered office of the company is located at room no 727-729, 7<sup>th</sup> floor, Pakistan Stock Exchange Building, I.I chundigarh Road Karachi, Pakistan. The principal activities of the Company are to carry on the business of share brokerage, under writing of public issues, investment and portfolio management.

**2 Basis of Preparation**

**2.1 Statement of Compliance**

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

**2.2 Basis of Measurement**

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

**2.3 Functional and Presentation Currency**

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

**2.4 Critical Accounting Estimates and Judgments**

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

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

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

## 2.5 Changes in accounting standards, interpretations and pronouncements

### 2.5.1 New and Amended Standards and interpretations

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

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

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

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

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

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

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

Further, the following new standards have been issued by IASB which are yet to be notified by the

Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

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

### 3 Summary of Significant Accounting Policies

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

#### 3.1 Taxation

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

##### 3.1.1 Current

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

##### 3.1.2 Deferred

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

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

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

#### 3.2 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate

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

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

### **3.3 Intangible Assets**

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

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

### **3.4 Impairment**

#### **3.4.1 Financial Assets**

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

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

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

#### **3.4.2 Non-Financial Assets**

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

loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised previously. Reversal of an impairment loss is recognised immediately in profit and loss account.

### **3.5 Financial Instruments**

#### **3.5.1 Financial Assets**

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

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

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

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those having maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits, interest accrued, other receivables, cash and bank balances.

##### **Held to maturity**

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

##### **Available for sale**

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

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

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

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

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

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

### **3.5.2 Financial Liabilities**

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

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

### **3.6 Trade and Other Receivables**

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

### **3.7 Trade and Other Payables**

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid, in the future for goods and services received.

### **3.8 Provisions**

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

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

### **3.9 Revenue Recognition**

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

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

### **3.12 Cash and Cash Equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank balance, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change.

### **3.13 Related Party Transactions**

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

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

**4. PROPERTY AND EQUIPMENT**

Particulars	Cost				Rate %	Depreciation				W.D.V.
	As at July 01, 2017	Additions	(Deletions)	As at Jun 30, 2018		As at July 01, 2017	For the year	Deletion	As at Jun 30, 2018	As at June 30, 2018
	-----Rupees-----					-----Rupees-----				
Office Equipments	1,073,845	138,827	-	1,212,672	15%	762,748	62,763	-	825,511	387,161
Furniture & Fixtures	662,150	-	-	662,150	15%	579,204	12,442	-	591,646	70,504
Vehicles	2,872,500	2,057,000	-	4,929,500	15%	758,522	394,234	-	1,152,756	3,776,744
Computers	3,320,953	240,671	-	3,561,624	30%	3,150,901	91,725	-	3,242,626	318,998
<b>June 30, 2018</b>	<b>7,929,448</b>	<b>2,436,498</b>	<b>-</b>	<b>10,365,946</b>		<b>5,251,375</b>	<b>561,164</b>	<b>-</b>	<b>5,812,539</b>	<b>4,553,407</b>
<b>June 30, 2017</b>	<b>10,339,492</b>	<b>1,214,956</b>	<b>625,000</b>	<b>7,929,448</b>		<b>8,116,157</b>	<b>458,433</b>	<b>(323,215)</b>	<b>5,251,375</b>	<b>2,678,073</b>

**5. INTANGIBLE ASSETS**

		2018 (Rupees)	2017 (Rupees)
Trading Right Entitlement Certificate (TREC)	5.1	5,000,000	5,000,000
Impairment - TREC	5.2	(2,500,000)	-
		<u>2,500,000</u>	5,000,000
Membership card - Pakistan Mercantile Exchange Limited		250,000	250,000
		<u>2,750,000</u>	<u>5,250,000</u>

**5.1** This represents TREC acquired on surrender of Stock Exchange membership Card. According to the Stock Exchanges (Corporatisation, Demutualization and Integration) Act 2012, the TRE Certificate may only be transferred once the company intending to carry out shares brokerage business in the manner to be prescribed.

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

**6. INVESTMENT - AVAILABLE FOR SALE**

Investment in shares of Pakistan Stock Exchange	6.1	<u>21,353,582</u>	<u>41,163,833</u>
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**6.1** This represents 1,081,194 (2017: 1,602,953) shares of Pakistan Stock Exchange.

	2018 (Rupees)	2017 (Rupees)
<b>7 Long Term Deposits</b>		
DFC Basic Deposit to NCCPL	1,000,000	500,000
Central Depository Company of Pakistan	100,000	100,000
National Clearing Company of Pakistan	200,000	200,000
Pakistan Stock Exchange Limited	100,000	100,000
Pakistan Mercantile Exchange Limited	750,000	750,000
Pakistan Mercantile Exchange deposits	100,000	100,000
Deposit for National Commodity Office	5,000,000	5,000,000
Basic Deposit For Ready Market	200,000	200,000
Base Minimum Capital Deposit	-	16,000,000
PSX Receivable	-	4,488,268
7.1	<u>7,450,000</u>	<u>27,438,268</u>

## 8. TRADE DEBTS

Trade debts	47,947,412	60,722,499
Provision for doubtful debts	(2,317,204)	(5,000,000)
8.1	<u>45,630,209</u>	<u>55,722,499</u>

8.1. The company has made a provision of Rs 2,317.204 against doubtful debts.

## 9. SHORT TERM INVESTMENT - FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT

Investment in quoted securities	9.1	<u>77,380,123</u>	<u>94,526,079</u>
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9.1 Investment in various equity shares carried at market value.

## 10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advance tax - net	11,652,558	12,049,417
Advance to staff	225,351	245,431
Exposure deposit	2,368,175	9,414,349
MTS Exposure deposit	8,455,666	7,248,956
Receivables from associate	5,000,000	-
Receivables against margin financing	15,064,030	11,404,662
	<u>42,765,780</u>	<u>40,362,815</u>

## 11. CASH AND BANK BALANCES

	2018 (Rupees)	2017 (Rupees)
Cash in hand	60,000	60,000
Cash at bank- current	8,691,299	7,756,879
	<u>8,751,299</u>	<u>7,816,879</u>

12. SHARE CAPITAL

12.1 AUTHORIZED SHARE CAPITAL

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

12.2 ISSUED SUBSCRIBED AND PAID-UP CAPITAL

<u>1,015,000</u>	<u>1,015,000</u>	ordinary shares of Rs. 100 each fully paid in cash	<u>101,500,000</u>	<u>101,500,000</u>
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PATTERN OF SHAREHOLDING

	No of shares	%
i Mr Imtiaz (Director)	507,499	50.0%
ii Asif Ibrahim (Director)	1	0.0%
iii Abdul Aziz (Director)	50,750	5.0%
iv M.Irfan (Director)	126,875	12.5%
v Anis Haroon Kapadia (Shareholder)	76,125	7.5%
vi Muhammad Zafar (Shareholder)	126,875	12.5%
vii M Iqbal (Director)	126,875	12.5%
	<u>1,015,000</u>	

all changes in shareholding above 5 %

Share Issued

No Changes in shareholding during the year

13 LONG TERM LOAN

From Director-Unsecured	13.1	<u>7,500,000</u>	<u>9,000,000</u>
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13.1 This represents unsecured subordinated loan from directors being repayable after two years interest will be charged at the rate of 8% per annum.

14. TRADE AND OTHER PAYABLE

Credit balances of clients	14.1.	<u>7,242,069</u>	<u>7,457,426</u>
Accrued Expenses	14.4.	<u>3,043,682</u>	<u>4,285,365</u>
		<u>10,285,750</u>	<u>11,742,791</u>

14.1 Credit balances of clients held by the company

Value of Securities of client held by the company

	<u>7,242,069</u>	<u>7,457,426</u>
	<u>264,111,126</u>	<u>487,205,230</u>

Number of Securities of client held by the company	<u>17,509,477</u>	<u>24,359,653</u>
14.2 Securities of clients is pledged with Financial Institution.	<u>-</u>	<u>1,189,400</u>
14.3 Securities of the company is pledged with Financial Institution.	<u>-</u>	<u>3,848,800</u>

**14.4 ACCRUED EXPENSES**

Telephone Bills Payable	16,180	17,250
Sales Tax Payable	28,542	70,223
Mark Up Payable on Long term loan	720,000	720,000
Mark Up Payable on running finance	954,485	1,467,966
Audit Fees Payable	175,000	150,000
Other payable	1,149,475	1,859,926
	<u>3,043,682</u>	<u>4,285,365</u>

**15 SHORT TERM-RUNNING FINANCE**

Financing from Financial Institution.	15.1	<u>41,756,543</u>	<u>63,424,978</u>
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15.1 Running finance facilities of Rs 150 Million (2017:250 Million) have been arranged from commercial banks under markup arrangement. The aggregate finance are secured against pledge of shares of listed companies and personal guarantee of directors of company. The markup charged on these facility ranges from 1 to 3 months KIBOR+2 % per annum on daily outstanding balances payable quarterly.

**16. CONTINGENCIES AND COMMITMENTS**

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

**17. OPERATING REVENUE**

	2018	2017
	<i>(Rupees)</i>	
Brokerage income	6,527,240	16,112,902
IPO- Shares Application	1,150	99,188
Markup on Margin Financing	1,147,675	176,948
	<u>7,676,065</u>	<u>16,389,038</u>

**18. OPERATING AND OTHER EXPENSES**

Salaries and allowances	3,680,576	3,611,685
Director Remuneration	3,000,000	3,104,958
Printing, stationary and periodicals	420,205	639,085
Conveyance	251,537	465,745
Utilities	309,551	343,818
Communication Expense	498,906	645,131
Rent, rates and taxes	188,950	113,620
Transaction charges	1,634,341	2,790,427
Fee and subscription	677,369	228,155
Insurance	199,286	291,038
Entertainment	584,520	816,558
Repair and Maintenance	768,553	1,618,487
Legal and Professional	138,442	105,450
Depreciation	561,164	458,433
Auditor's remuneration	275,050	230,700
Markup Payable on Long term loan	-	720,000
Miscellaneous	166,220	178,445
Donations	350,000	179,590
	<b>13,704,670</b>	<b>16,541,326</b>

**19 Finance cost**

Bank charges	425,772	544,556
Markup on running finance	3,919,767	7,531,870
	<b>4,345,539</b>	<b>8,076,426</b>

**20. OTHER INCOME**

Capital Loss-Investment held for trading	215,279	(15,136,632)
Capital Gain Investment available for sale	(9,066,838)	53,790,215
Dividend Income	3,192,344	2,435,862
Gain on Sale of Fixed Assets	-	398,215
Markup on Exposure Deposit	39,206	131,980
Other Income	1,996,651	2,542,606
	<b>(3,623,357)</b>	<b>44,162,246</b>

**21. TAXATION**

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

**Provision for taxation**

- Current year	2,090,819	304,049
- Deferred	-	-
Net tax charge	<b>2,090,819</b>	<b>304,049</b>

**21.1** Deferred is not recognized as the company is suffering loss from operations

21.1

## 22 CAPITAL ADEQUACY LEVEL

Total Assets	210,634,400
Less: Total Liabilities	(59,542,292)
Less: Revaluation Reserves	-
<b>Capital Adequacy Level.</b>	<b><u>151,092,108</u></b>

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 23.1. Financial Instrument by Category

#### 23.1.1 Financial Assets

2018			
At fair value through profit or loss held for trading	Available for sale	Loans and Receivables	Total
Long term loan, advances and		7,450,000	7,450,000
Long term investment	21,353,582		21,353,582
Short term investment	77,380,123	.	77,380,123
Trade debts	45,630,209		45,630,209
Advances,		40,362,815	40,362,815
Bank balances		7,816,879	7,816,879
	<u>123,010,332</u>	<u>21,353,582</u>	<u>55,629,694</u>
		<u>199,993,607</u>	

Long term loan, advances and  
Long term investment  
Short term investment  
Trade debts  
Advances,  
Bank balances

Long term loan, advances and  
Long term investment  
Short term investment  
Trade debts  
Advances,  
Bank balances

2017			
At fair value through profit or loss held for trading	Available for sale	Loans and Receivables	Total
Long term loan, advances and		27,438,268	27,438,268
Long term investment	41,163,833		41,163,833
Short term investment	94,526,079		94,526,079
Trade debts	40,362,815		40,362,815
Advances,		40,362,815	40,362,815
Bank balances		7,816,879	7,816,879
	<u>134,888,894</u>	<u>41,163,833</u>	<u>75,617,962</u>
		<u>251,670,689</u>	

#### 23.1.2 Financial Liabilities

2018	
Amount	Total
Short Term Running Finance	41,756,542
Trade and other Payables	10,285,750
	<u>52,042,292</u>
	<u>52,042,292</u>

	2017	
	Amount	Total
Short Term Running Finance	63,424,978	63,424,978
Trade and other Payables	10,285,750	10,285,750
	<u>73,710,728</u>	<u>73,710,728</u>

## 23.2 Financial risk management

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

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

### 23.2.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfil their obligations.

#### Exposure to Credit risk

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

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

	2018	2017
	<i>Rupees</i>	
Long term deposits	7,450,000	27,438,268
Long term investments	21,353,582	41,163,833
Short term investments	77,380,123	94,526,079
Trade debts	45,630,209	55,722,499
Bank Balances	8,751,299	7,816,879
	<u>160,565,213</u>	<u>226,667,558</u>

### 23.2.2 Bank Balances

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

AAA	37,470	37,470
AA+	798,927	2,573,733
AA-	7,726,692	4,616,804
AA	17,010	17,010
A	111,200	511,500
	<u>8,691,299</u>	<u>7,756,517</u>

### 23.2.3 Liquidity risk

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

2018					
	carrying amount	contractual cash flows	up to one year	one to two years	Two to five years
<b>Financial Liabilities</b>					
ShortTerm Running Finance	41,756,542	41,756,542	41,756,542		
Trade and other	10,285,750	10,285,750	10,285,750	-	-
	<u>52,042,292</u>	<u>52,042,292</u>	<u>52,042,292</u>		

2017					
	carrying amount	contractual cash flows	up to one year	one to two years	Two to five years
<b>Financial Liabilities</b>					
ShortTerm Running Finance	63,424,978	63,424,978	63,424,978		
Trade and other	11,742,791	11,742,791	11,742,791	-	-
	<u>75,167,769</u>	<u>75,167,769</u>	<u>75,167,769</u>		

On the balance sheet date, the company has cash and bank balances of Rs.8million (2017: 7million) and short term investments of Rs 77 million (2017:94 million) for repayment of liabilities

### 23.2.4 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, management manages market risk by monitoring exposure on marketable securities by following the internal risk management and investment policies and guidelines.

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

#### Currency risk

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

#### Interest rate risk

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

### Other price risk

Other price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factor affecting all or similar financial instrument traded in the market.

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

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

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

	Before Tax	
	10% Increase	10% Decrease
as at 30th June 2018	<u>7,738,012</u>	<u>(7,738,012)</u>
as at 30th June 2017	<u>9,452,608</u>	<u>(9,452,608)</u>

### 23.3 Fair value of Financial instruments

The Carrying values of all financial assets and liabilities reflected in these financial statements approximate to their fair value. The company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

The company annually hold listed assets amounting to Rs 98 million (2017: 135 million) that are recorded at quoted price.

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

### 23.4 Capital risk management

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

The company finances its operations through 100% equity with a view to maintain an appropriate mix between various sources of finance to minimise risk.

## 24. NUMBER OF EMPLOYEES

	2018	2017
	(Number of employees)	
Total number of employees at 30th June.	<u>12</u>	<u>14</u>

25. DATE OF AUTHORIZATION

27 SEP 2018

These financial statements have been authorized for issue on \_\_\_\_\_ by the Board of Directors of the company.

26. GENERAL

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

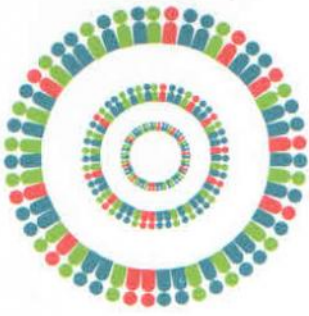
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Chief Executive



Director



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## OFFICES IN PAKISTAN

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## **UHY** INTERNATIONAL

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is a member of Urbach Hacker Young  
International Limited, a UK company,  
and forms part of the international  
UHY network of legally independent  
accounting and consulting firms.  
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