

**AYUB CHAUDHRY INVESTMENTS (PRIVATE) LIMITED**

Notes to the Financial Statements

For the Year ended 30 June, 2017

**28 RELATED PARTY TRANSACTIONS**

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

**29 NUMBER OF EMPLOYEES**

Total number of employees at the end of year was 2 (2016: 2). Average number of employees was 2 (2016: 2)

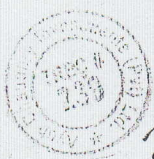
**30 GENERAL**


30.1 Figures have been rounded off to the nearest of rupee.

30.2 Corresponding figures have been rearranged, wherever necessary for the purposes of comparison. However, no significant rearrangement / reclassification have been made in these financial statements.

**31 AUTHORIZATION**

31.1 These financial statements were authorized for issue on 06 October 2017 by the Board of Directors of the Company.



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## AYUB CHAUDHRY INVESTMENTS (PRIVATE) LIMITED

Notes to the Financial Statements

For the Year ended 30 June, 2017

### Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates. The company analyzes its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into accounts various other financing options available.

### Price risk

Price risk represents the risk that fair value of financial instrument will fluctuate because of changes in the market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factor affecting all or similar financial instruments traded in the market. The company is significantly exposed to equity price risk since it carry investments in quoted securities (Note 14 to the financial statements).

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### Capital risk management

The Company's objective when managing capital is to safe guard its ability to continue as a going concern so that it can continue to provide returns for the shareholder and benefits for other stake holders. Further, the Company has to comply with capital requirements (paid-up capital, net worth, minimum net capital) applicable to related category of broker (trading, trading and self clearing, trading and clearing) in which the broker falls as specified under the Securities Brokers (Licensing and Operations) Regulations 2016. Net capital balance of the Company as at 30 June, 2017 amounts to Rs. 31,912,537 (2016: Rs. 29,961,997) and liquid capital of the Company as at 30 June, 2017 amounts to Rs. 33,862,422 (2016: not applicable)



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# AYUB CHAUDHRY INVESTMENTS (PRIVATE) LIMITED

Notes to the Financial Statements

For the Year ended 30 June, 2017

## 26.4.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

The following are the contractual maturities of financial liabilities:

Financial liabilities	As at June 30, 2017		
	Carrying amount	Within one year	More than one
Trade creditors	11,020,678	-	-
Accrued and other payables	76,220	-	-
<b>Total</b>	<b>11,096,898</b>	<b>-</b>	<b>-</b>

Financial liabilities	As at June 30, 2016		
	Carrying amount	Within one year	More than one
Trade creditors	18,708,007	-	-
Accrued and other payables	125,708	-	-
<b>Total</b>	<b>18,833,715</b>	<b>-</b>	<b>-</b>

It is not expected that the cash flow included in the maturity analysis could occur significantly earlier or at significantly different amounts.

## 26.4.3 Market risk

Market risk means that value of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk comprises of three types of risk: foreign exchange or currency risk, interest rate risk and price risk. The market risk associated with the company's business activities are discussed as under:

### Foreign exchange risk management

Currency Risk is the risk that value of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is not exposed to currency risk as the Company does not maintain bank accounts in foreign currencies.





AYUB CHAUDHRY INVESTMENTS (PRIVATE) LIMITED

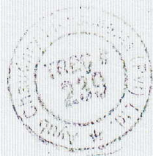
Notes to the Financial Statements

For the Year ended 30 June, 2017

The Company's policy is to enter into financial contracts in accordance with the internal risk *management policies, investment and operational guidelines approved by the Director/ Chief Executive.* In addition, credit risk is also minimized due to the fact that the Company invests only in high quality financial assets, majority of which have been rated by a reputable rating agency. The Company does not expect to incur material credit losses on its financial assets.

The carrying amount of financial assets represent the maximum credit exposure, as specified below:-

	2017	2016
	Rupees	Rupees
Long term investments	8,439,750	8,439,750
Long term deposits	5,157,500	5,951,956
Trade debts	3,115,258	2,834,179
Deposits	225,000	425,000
Other receivables	1,953,735	11,173,610
Short term investments	30,160,579	30,077,667
Cash and bank balances	17,564,849	14,277,475
	<u>66,616,671</u>	<u>73,179,637</u>





**AYUB CHAUDHRY INVESTMENTS (PRIVATE) LIMITED**

Notes to the Financial Statements

For the Year ended 30 June, 2017

**26.3 Fair values**

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the year end date. The quoted market prices used for financial assets held by the Company is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

**26.4 Financial risk factors**

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

**26.4.1 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 to account of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit worth counterparties thereby mitigating any significant concentrations of credit risk.

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, short term loans and advances, short term investments and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery. The Company's management as part of risk management policies and guidelines, reviews clients' financial position, considers past experience and other factors, and obtains necessary collaterals to reduce credit risks. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.



1. (No) *[Signature]*



AYUB CHAUDHRY INVESTMENTS (PRIVATE) LIMITED

Notes to the Financial Statements

For the Year ended 30 June, 2017

26 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

26.1 Risk management framework

The Director/ Chief Executive has overall responsibility for the establishment and oversight of the Company's risk management framework. He is also responsible for developing and monitoring the Company's risk management policies. The Director/ Chief Executive monitors frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and control, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

26.2 Financial assets and liabilities by category and their respective maturities

	June 30, 2017		June 30, 2016	
	Maturity up to One year	Maturity after One year	Maturity up to One year	Maturity after One year
<b>Financial assets</b>				
Long term investments		8,439,750		8,439,750
Long term deposits		5,157,500		5,951,956
Trade debts	3,115,258		2,834,179	
Deposits	225,000		425,000	
Other receivables	1,953,735		11,173,610	
Short term investments	30,160,579		30,077,667	
Cash and bank balances	17,600,122		14,284,253	
	<b>53,054,694</b>	<b>13,597,250</b>	<b>58,794,709</b>	<b>14,391,706</b>
<b>Financial liabilities</b>				
Trade creditors		11,020,678		18,708,007
Accrued and other payables				
		76,220		125,708
	<b>11,096,898</b>	<b>-</b>	<b>18,833,715</b>	<b>-</b>





**AYUB CHAUDHRY INVESTMENTS (PRIVATE) LIMITED**

Notes to the Financial Statements  
For the Year ended 30 June, 2017

		2017	2016
		Rupees	Rupees
<b>22 FINANCIAL CHARGES</b>			
Bank charges		4,290	5,289
<b>23 OTHER INCOME</b>			
Gain on investments held for trading		3,980,322	1,655,249
Gain on remeasurement of TREC value		-	784,501
Dividend Income		2,165,251	1,976,594
Other Income		88,423	-
Un-realised gain/(loss) on securities		82,912	3,980,322
Balances written-off	23.1	(3,652,574)	-
		<u>2,664,334</u>	<u>8,396,666</u>

23.1 This represents balances written-off pursuant to the reconciliation of account balances with subsidiary records.

		2017	2016
		Rupees	Rupees
<b>24 TAXATION</b>	Note		
Current	24.1	73,971	296,568
Prior		-	31,178
Deferred		-	-
		<u>73,971</u>	<u>327,746</u>

24.1 Owing to taxable loss for the current year and accumulated losses, provision for taxation has been made at the turnover tax under section 113 of the Income Tax Ordinance, 2001.

24.2 Provision for deferred tax has not been made as the commission income is subject to final tax regime for tax year 2018. Major portion of other sources of income is also subject to final tax regime.

**25 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amount charged in these financial statements in respect of remuneration including benefits applicable to chief executive, directors and executives of the Company are given below:

	2017	2016	
	Chief Executive	Executives	Chief Executive Executives
	-----Rupees-----		
Managerial remuneration	<u>733,892</u>	<u>-</u>	<u>-</u>
Number of persons	1	-	-





AYUB CHAUDHRY INVESTMENTS (PRIVATE) LIMITED  
Notes to the Financial Statements  
For the Year ended 30 June, 2017

19 CONTINGENCIES AND COMMITMENTS

19.1 There are no contingencies and commitments of the Company as of 30 June 2017.

	2017 Rupees	2016 Rupees
<i>Note</i>		
<b>20 REVENUE</b>		
Commission Income from brokerage	<u>7,397,088</u>	<u>4,949,376</u>

20.1 This includes Rs. 3,753,065 from retail customers and Rs. 10,213 own brokerage income.

	2017 Rupees	2016 Rupees
<i>Note</i>		
<b>21 OPERATING AND ADMINISTRATIVE EXPENSES</b>		
Staff Salaries	2,226,250	963,750
Director's remuneration	2,997,127	1,983,832
Postage and telegram	44,195	163,082
Fee and subscription	135,686	172,230
Printing and Stationary	26,504	11,842
Rent, Rate and Taxes	31,662	-
Legal & professional charges	120,917	206,662
CDC charges	3,231	341,959
NCCPL charges	65,853	67,178
Karachi trading expenses	58,481	601,525
Balances written-off	1,615,613	
Travelling and conveyance	44,686	14,760
Entertainment	282,589	210,260
Newspaper and periodicals	4,428	5,120
Utilities	197,956	70,331
Repair and Maintenance	163,442	100,676
Fuel and power expenses	20,554	-
Depreciation	51,130	65,281
Misc Expenses	47,345	116,288
	<u>8,137,650</u>	<u>5,094,776</u>





AYUB CHAUDHRY INVESTMENTS (PRIVATE) LIMITED

Notes to the Financial Statements

For the Year ended 30 June, 2017

		2017 Rupees	2016 Rupees
16	SHARE CAPITAL		
	Authorized		
	350,000 (2016: 350,000) Ordinary shares of Rs. 100 each fully paid-up	35,000,000	35,000,000
	Issued, subscribed and paid up		
	300,000 (2016: 300,000) Ordinary Shares of Rupees 100/- each fully paid	30,000,000	30,000,000

Note

16.1

16.1 Details of shareholders of the Company is as follows:

	Shareholding	
	%age	%age
Muhammad Ayub Chaudhry - 165,000 (2016: 165,000) shares	55%	55%
Chaudhry Farooq ul Aziz - 45,000 (2016: 45,000) shares	15%	15%
Tayyab Naeem - 45,000 (2016: 45,000) shares	15%	15%
Muhammad Asif Imran - 45,000 (2016: 45,000) shares	15%	15%

2017 Rupees	2016 Rupees
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17 ADVANCE AGAINST ISSUE OF SHARES

Loan from directors - unsecured	17.1	2,500,000	2,500,000
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17.1 This represents interest free loan received from the directors which is repayable at the option of the Company. Pursuant to TR-32 issued by the Institute of Chartered Accountants of Pakistan, this has been reclassified from short term liabilities - loan from directors to advance against issue of shares.

		2017 Rupees	2016 Rupees
18	TRADE AND OTHER PAYABLES		
	Trade creditors	11,020,678	18,708,007
	Withholding Tax payable	532,933	318,791
	FED Payable	626,307	547,030
	Accrued and other payables	76,220	125,708
		12,256,137	19,699,537

Note



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AYUB CHAUDHRY INVESTMENTS (PRIVATE) LIMITED

Notes to the Financial Statements

For the Year ended 30 June, 2017

13 INCOME TAX - NET	Note	2017 Rupees	2016 Rupees
Advance income tax		1,087,004	74,813
Provision for current tax		(73,971)	(49,493)
		<u>1,013,033</u>	<u>25,320</u>

14 SHORT TERM INVESTMENTS

Investments at fair value through profit or loss

Investment in listed securities		30,077,667	26,097,345
Un-realised gain/(loss) on securities		82,912	3,980,322
	14.1	<u>30,160,579</u>	<u>30,077,667</u>

14.1 These represent investment in listed securities, held by the Company, valued based quoted prices of these securities at PSX which is the active/ principal market for these securities. These are classified in Level 1 category as per IFRS 13.

15 CASH AND BANK BALANCES	Note	2017 Rupees	2016 Rupees
Cash in hand		35,272	6,778
Cash at bank			
Deposit accounts		-	-
Current accounts	15.1	17,564,849	14,277,475
		<u>17,564,849</u>	<u>14,277,475</u>
		<u>17,600,122</u>	<u>14,284,253</u>

15.1 This includes Rs. 12,012,028 (2016: Rs. 11,519,956) amount held on account of clients.





**AYUB CHAUDHRY INVESTMENTS (PRIVATE) LIMITED**

Notes to the Financial Statements

For the Year ended 30 June, 2017

	Note	2017 Rupees	2016 Rupees
<b>9 LONG TERM DEPOSITS</b>			
Deposit for Second LSE Tower		100,000	100,000
Deposits to LSE for Rooms		5,000,000	5,000,000
Clearing House Deposit		-	29,456
Margin Deposit with PSX		-	765,000
Security Deposit		50,000	50,000
Others		7,500	7,500
		<u>5,157,500</u>	<u>5,951,956</u>
<b>10 TRADE DEBTS - NET</b>			
Considered good - secured	10.1	3,115,258	2,834,179
Considered doubtful		-	-
		<u>3,115,258</u>	<u>2,834,179</u>
Provision for doubtful debts	10.2	-	-
		<u>3,115,258</u>	<u>2,834,179</u>
10.1 Market value of securities held in CDC sub-accounts against these trade debts amount to Rs. 155,948,353.			
10.2 No provision has been made against doubtful accounts receivable as value of collateral, in the form of listed securities, after applying VaR haircuts exceeds the receivable amount.			
<b>11 DEPOSITS</b>			
Clearing House Deposits (Reg. & Future)		<u>225,000</u>	<u>425,000</u>
<b>12 OTHER RECEIVABLES</b>			
Receivables against company's own investment	21	-	1,615,213
Receivable from NCCPL		1,953,735	9,558,397
		<u>1,953,735</u>	<u>11,173,610</u>





**AYUB CHAUDHRY INVESTMENTS (PRIVATE) LIMITED**

Notes to the Financial Statements

For the Year ended 30 June, 2017

**7 INTANGIBLE ASSET**

	2017	2017
	Rupees	
Trading Right Entitlement Certificate (TREC) - Pakistan Stock Exchange Limited	4,000,000	4,000,000

7.1 Pursuant to the Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012, stock exchanges operating as guarantee limited companies were converted to public limited companies (referred to as "corporatization") along with separation of ownership rights from members' trading rights (referred to as "demutualization"). As a result of demutualization, membership cards were replaced by shares in LSE Financial Services Limited being financial asset classified under "long term investment" and trading rights entitlement certificates (TREC) representing rights to trade on the Exchange being an intangible asset. The value represents cost of membership allocated to TREC based on fair value of TREC and shares in the Exchange at a split-off date and subsequent impairment loss, if any. TREC has indefinite useful life. In order to meet Base Minimum Capital (BMC), TREC has been pledged with Pakistan Stock Exchange Limited (PSX), which came into existence as a result of integration of stock exchanges on 11 January, 2016. Nominal value of TREC notified by PSX amounts to Rs. 5 million, hence no impairment has been recognized in the books of accounts.

	2017	2017
	Rupees	
<i>Note</i>		
<b>8 LONG TERM INVESTMENTS</b>		
<b>Investments available for sale</b>		
Investment in LSE Financial Services Limited (unquoted) - at cost	8.1	8,439,750
		8,439,750

8.1 This represents 843,975 shares of Rs. 10 each which were allotted to the Company subsequent to demutualization of stock exchanges as referred in Note 7.1 to the financial statements. The Company received 337,590 shares being 40% of total shares allotted to the Company. Remaining 60% of the shares are transferred to CDC sub-account in the Company's name under ISE's participant IDs with the CDC which will remain blocked until these are sold to strategic investors, general public and financial institutions. TRE Certificate of Pakistan Stock Exchange Limited (PSE) and 337,590 ordinary shares of LSEFSL shares are pledged with PSX to meet BMC requirements.

These shares do not have a quoted market price in an active market and fair value cannot be estimated reliably, therefore, these are carried at cost. Further, these have been classified in Level 3 category as per IFRS 13. The break-value of these shares as notified by PSX amounts to Rs. 18.29 per share, hence no impairment has been recognized in the books of accounts for these shares.





AYUB CHAUDHRY INVESTMENTS (PRIVATE) LIMITED

Notes to the Financial Statements  
For the Year ended 30 June, 2017

6 PROPERTY AND EQUIPMENT

----- 2017 -----

	Cost			Accumulated Depreciation			Net book value as at 30 June 2017	Rate of depreciation %age	
	As at 1 July 2016	Additions	Deletions	As at 30 June 2017	For the Year	Adjustments			As at 30 June 2017
	Rupees								
Computer equipment	499,880	-	-	499,880	41,950.26	-	414,708	33	
Furniture and fixtures	72,583	-	-	72,583	5,840	-	39,489	15	
Electrical Installations	42,500	-	-	42,500	3,340	-	23,574	15	
	<b>614,963</b>	-	-	<b>614,963</b>	<b>51,130</b>	-	<b>477,771</b>		

----- 2016 -----

	Cost			Accumulated Depreciation			Net book value as at 30 June 2016	Rate of depreciation %age	
	As at 1 July 2015	Additions	Deletions	As at 30 June 2016	For the Year	Adjustments			As at 30 June 2016
	Rupees								
Computer equipment	479,380	20,500	-	499,880	54,481	-	372,758	33	
Furniture and fixtures	72,583	-	-	72,583	6,871	-	33,649	15	
Electrical Installations	42,500	-	-	42,500	3,929	-	20,234	15	
	<b>594,463</b>	<b>20,500</b>	-	<b>614,963</b>	<b>65,281</b>	-	<b>426,641</b>		





**AYUB CHAUDHRY INVESTMENTS (PRIVATE) LIMITED**

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For the Year ended 30 June, 2017

**5.2 Standards, amendments to accounting standards and improvements to accounting standards that are not yet effective.**

The following amendments to the approved accounting standards, as applicable in Pakistan, will be effective from the dates mentioned below against the respective standard:

Standard	Effective date (annual periods beginning on or after)
IAS 7 - Statement of Cash Flows (Amendments) - Disclosure Initiative	1 January 2017
IAS 12 - Income Taxes (Amendment) - Recognition of Deffered Tax Assets for unrealized losses.	1 January 2017
Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12	1 January 2017
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 (Amendment)	Not yet finalized
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	1 January 2019
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018

The Company expects that the adoption of the above amendments to the standards will not affect the Company's financial statements, in the period of initial application.

Further, the following new standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan:

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 - First-time adoption of International Financial Reporting Standards	Jul-09
IFRS 14 - Regulatory Deferral Accounts	1 January 2016
IFRS 9 - Financial Instruments	1 January 2018
IFRS 15 - Revenue from Contract with Customers	1 January 2018
IFRS 16 - Leases	1 January 2019
IFRS 17 - Insurance Contracts	1 January 2021





**AYUB CHAUDHRY INVESTMENTS (PRIVATE) LIMITED**

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**Offsetting of financial assets and financial liabilities**

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

**4.15 Finance income and finance costs**

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gain on disposal of available-for-sale financial assets and changes in fair value of investments held for trading.

Finance costs comprise interest expense on borrowings, changes in fair value of investment carried at fair value through profit or loss and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using effective interest method.

Foreign currency gains and losses are reported on a net basis.

**5 APPLICABILITY OF STANDARDS**

**5.1 Changes in accounting policies and disclosures resulting from adoption of amendments and interpretations during the year**

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

**Amended standards and interpretations**

The Company has adopted the following accounting standards and amendment which became effective during the year:

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

Equity Method in Separate Financial Statements (Amendments to IAS 27)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Annual Improvements 2012-2014 Cycle

Disclosure Initiative (Amendments to IAS 1)

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

The adoption of the above amendment and accounting standards did not have any effect on the financial statements.





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**4.13 Dividend and reserve appropriation:**

Dividend is recognized as a liability in the period in which it is declared. Movement in reserves is recognized in the year in which it is approved.

**4.14 Financial instruments**

**Non-derivative financial assets**

These are initially recognized on the date that they are originated i.e. trade date which is the date that the Company becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies non-derivative financial assets as available for sale, held for trading, loans and other receivables. Loans and receivables comprise investments classified as loans and receivables, cash and bank balances and trade and other receivables.

**Trade debts, other receivables and other financial assets**

Trade debts and other receivables are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using effective interest method, less any impairment losses. Known bad debts are written off, when identified.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cash with banks on current, saving/ deposit accounts, short term running finance and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

**Non-derivative financial liabilities**

The Company initially recognizes non derivative financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities comprise markup bearing borrowings including obligations under finance lease, short term borrowing and trade and other payables.





**AYUB CHAUDHRY INVESTMENTS (PRIVATE) LIMITED**

Notes to the Financial Statements

For the Year ended 30 June, 2017

**4.8 Trade and settlement date accounting**

All "regular way" purchases and sales of listed securities are recognized on the trade date, i.e. the date that the Company commits to purchase/sell the asset. Regular way purchase or sale of financial assets are those, the contract for which requires delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

**4.9 Revenue recognition**

Revenue is recognized when significant risk and rewards of ownership have been transferred to the customers, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement and the amount of revenue can be measured reliably.

Revenue is recognized as follows in following cases:

- (a) Brokerage and commission are accrued as and when due.
- (b) Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.
- (c) Interest income is recognized as it accrues in profit or loss, using effective interest method.
- (d) Underwriting commission is recognized when the agreement is executed. Take-up commission is recognized at the time commitment is fulfilled.

**4.10 Borrowing costs**

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs. All other borrowing costs are charged to profit and loss account.

**4.11 Research and development cost**

Research and development costs are charged to income as and when incurred.

**4.12 Provisions**

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre tax discount rate that reflects current market assessment of time value of money and risk specific to the liability.

Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.





**AYUB CHAUDHRY INVESTMENTS (PRIVATE) LIMITED**

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For the Year ended 30 June, 2017

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss account.

Trade receivables which are overdue for more than 5 days are fully provided for to the extent of amount not covered by the collateral after applying haircuts in accordance with Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016

**4.6 Investments**

**4.6.1 Available for sale investments**

These are initially measured at their fair value plus directly attributable transaction cost and at subsequent reporting dates measured at fair values and gains or losses from changes in fair values other than impairment loss are recognized in other comprehensive income until disposal at which time these are recycled to profit or loss. Impairment loss on investments available for sale is recognized in the profit or loss.

**4.6.2 Investments at fair value through profit or loss**

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as fair value through profit or loss and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in profit or loss.

**4.6.3 Loans and receivables**

Investments are classified as loans and receivables which have fixed or determinable payments and are not quoted in an active market. These investments are initially measured at fair values plus directly attributable transaction costs. Subsequent to initial recognition, these are stated at their amortized cost using the effective interest method, less any impairment losses.

**4.7 Foreign currency transaction and translation**

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies at the year end are translated in Pak Rupees at exchange rates prevailing at the balance sheet date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of transaction. Exchange differences are included in profit and loss account for the year.



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#### 4.5 Impairment

##### Non-financial assets

The carrying amounts of non-financial assets other than deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

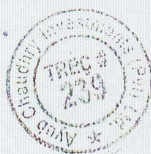
The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account.

Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent 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 recognized.

##### Financial assets

Financial assets are assessed at each reporting date except trade receivables to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.





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Notes to the Financial Statements

For the Year ended 30 June, 2017

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

**4.4 Property, plant and equipment and capital work in progress**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, except freehold land and capital work in progress, which are stated at cost less impairment losses, if any. Cost comprises acquisition and other directly attributable costs.

Depreciation is provided on a written down value basis and charged to profit or loss to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 15. Depreciation on addition in property, plant and equipment is charged from the date when the asset becomes available for use upto the date of its disposal.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized, if any. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

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



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