

ASA STOCKS  
(PRIVATE) LIMITED

Financial Statements  
Year Ended 30 June, 2017

Baker Tilly Mehmood Idrees Qamar  
Chartered Accountants



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

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**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **ASA STOCKS (PRIVATE) LIMITED** (the Company) as at **30 June 2017** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards, the requirements of the Companies Ordinance, 1984 and the Securities Brokers (Licensing and Operations) Regulations 2016. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) In our opinion, proper books of accounts have been kept by the company as required by the Securities Brokers (Licensing and Operations) Regulations 2016 and the Companies Ordinance, 1984;
- b) in our opinion:
  - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Securities Brokers (Licensing and Operations) Regulations 2016 and the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - i. the expenditure incurred during the year was for the purpose of the Company's business; and
  - ii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984 and the Securities Brokers (Licensing and Operations) Regulations 2016, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



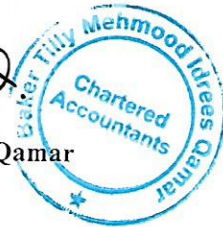
**BAKER TILLY  
MEHMOOD IDREES  
QAMAR**  
CHARTERED ACCOUNTANTS

**OTHER MATTERS**

- a) The financial statements for the year ended 30 June 2016 were audited by another firm of Chartered Accountants whose audit report dated 25 August 2016 expressed an unqualified opinion thereon.
- b) In accordance with the requirements of the Securities Brokers (Licensing and Operations) Regulations 2016, we report on the following matters:
  - i. The Company has maintained throughout the financial year systems adequate to enable us to identify with reasonable accuracy the assets held on behalf of customers and distinguish such assets from the proprietary assets of the Company;
  - ii. The Company was in compliance with the requirements of Section 78 of the Securities Act, 2015 and the relevant requirements of those regulations at the date on which the balance sheet is prepared;
  - iii. Internal control system and compliance function commensurate with the size and nature of services performed by the Company was implemented during the year; and
  - iv. The compliance officer performed its function with efficiency during the year.

*Baker Tilly MID*

**Baker Tilly Mehmoood Idrees Qamar**  
Chartered Accountants



**Engagement Partner:** Siraj Ahmad

**Date:** 3 October 2017

**Place:** Islamabad



# ASA STOCKS (PVT.) LIMITED

TREC HOLDER: Pakistan Stock Exchange Limited  
(TREC # 284, SECP Reg. No. BRP-241)  
Reliable Shares Trading Services

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## DIRECTORS' REPORT

Dear Members  
Assalam-o-Alaikum,

The Directors are pleased to present the audited accounts for the year ended *June 30<sup>th</sup>, 2017*.

The financial results are as under:

	July-June 2017 (Rupees in Millions)	July-June 2016 (Rupees in Millions)
Revenue	3.763	2.953
Profit/ (Loss) before taxation	(11.486)	(0.375)
Profit/ (Loss) after taxation	(11.524)	(0.405)

The Company incurred pre-tax loss of Rs. (11.486) million for the year ended 30th June 2017 as against loss of Rs. (0.375) million for the corresponding period last year.

The Financial Results for the year under review were much encouraging. The management has decided to expand the business in the year 2017-2018 as per target and increase the clientage in local Market, which will increase the profits of the Company.

Dividend  
Nil

For and on behalf of the Board

Lahore  
Date: *October 03, 2017*

  
Chief Executive



# ASA STOCKS (PRIVATE) LIMITED

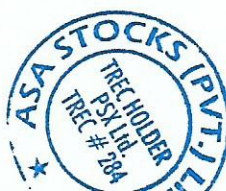
## Balance Sheet

As at 30 June, 2017

	Note	2017 Rupees	2016 Rupees
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property and equipment	6	2,342,903	2,842,611
Intangible asset	7	4,000,000	4,000,000
Long term investments	8	9,553,797	9,553,797
Long term deposits	9	6,268,768	5,768,768
		<b>22,165,468</b>	<b>22,165,176</b>
<b>Current Assets</b>			
Trade debts - net	10	10,735,703	15,016,022
Advances	11	28,500	-
Deposits and prepayments	12	3,297,136	108,311
Other receivables	13	8,558,383	1,922,021
Accrued Interest		67,612	-
Income tax - net	14	404,086	281,387
Short term investments	15	18,466,340	13,461,960
Cash and bank balances	16	329,590	3,280,896
		<b>41,887,350</b>	<b>34,070,597</b>
		<b>64,052,818</b>	<b>56,235,773</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	17	17,500,000	17,500,000
Unappropriated (loss)/profit		(11,347,206)	177,258
<b>Total equity</b>		<b>6,152,794</b>	<b>17,677,258</b>
<b>Advance against issue of shares</b>	18	<b>27,515,000</b>	<b>19,130,568</b>
		<b>33,667,794</b>	<b>36,807,826</b>
<b>Current Liabilities</b>			
Trade and other payables	19	13,423,176	9,641,864
Accrued Markup		175,145	-
Short term running finance	20	16,786,703	9,786,083
		<b>30,385,024</b>	<b>19,427,947</b>
<b>Contingencies and commitments</b>	21	<b>64,052,818</b>	<b>56,235,773</b>

The annexed notes 1 to 34 form an integral part of these financial statements.

  
 Chief Executive



  
 Director

# ASA STOCKS (PRIVATE) LIMITED

## Profit and Loss Account

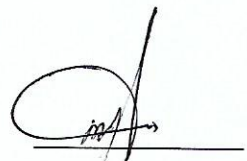
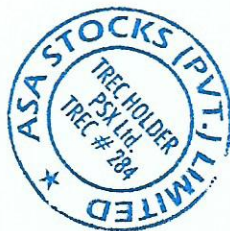
For the Year ended 30 June, 2017

	Note	2017 Rupees	2016 Rupees
Revenue	22	3,763,278	2,953,619
Operating and administrative expenses	23	(14,434,216)	(3,673,270)
<b>Loss from operations</b>		<b>(10,670,938)</b>	<b>(719,651)</b>
Financial charges	24	(485,137)	(652,901)
Other income/ (loss)	25	(330,756)	997,037
<b>Loss before taxation</b>		<b>(11,486,831)</b>	<b>(375,515)</b>
Taxation	26	(37,633)	(29,536)
<b>Loss for the year</b>		<b>(11,524,464)</b>	<b>(405,051)</b>

The annexed notes 1 to 34 form an integral part of these financial statements.



Chief Executive



Director

# ASA STOCKS (PRIVATE) LIMITED

## Statement of Comprehensive Income


For the year ended 30 June, 2017

	2017 Rupees	2016 Rupees
Loss for the year	(11,524,464)	(405,051)
Items that may be reclassified subsequently to profit or loss	-	-
Items that will not be reclassified subsequently to profit or loss	-	-
<b>Total comprehensive loss for the year</b>	<b><u>(11,524,464)</u></b>	<b><u>(405,051)</u></b>

The annexed notes 1 to 34 form an integral part of these financial statements.



Chief Executive



Director

# ASA STOCKS (PRIVATE) LIMITED

## Cash Flow Statement

For the Year Ended 30 June, 2017

	2017 Rupees	2016 Rupees
<b>Cash flows from operating activities</b>		
Loss for the year	(11,486,831)	(375,515)
<b>Adjustments for non cash items:</b>		
Depreciation and Impairment	580,708	298,765
Provision for doubtful debts	9,093,962	-
Dividend income	(838,788)	(743,481)
Interest income on bank deposits	(129,462)	(48,666)
Gain on sales of fixed assets		(267,248)
Unrealized loss on investment		75,506
Financial charges	481,076	652,901
	<u>9,187,497</u>	<u>(32,223)</u>
<b>Operating profit before working capital changes</b>	<u>(2,299,334)</u>	<u>(407,738)</u>
<b>Changes in operating assets and liabilities</b>		
(Increase)/decrease in assets:		
Trade debts - net	(4,813,643)	(4,230,678)
Advances	(28,500)	-
Deposits and prepayments	(3,188,825)	11,833
Other receivables	(6,636,362)	(66,009)
Short term investments	(5,004,380)	(13,537,466)
Increase/(decrease) in liabilities		
Trade and other payables	3,781,312	6,229,187
	<u>(15,890,398)</u>	<u>(11,593,133)</u>
<b>Cash utilized in operations</b>	<u>(18,189,732)</u>	<u>(12,000,871)</u>
Financial charges paid	(305,931)	(652,901)
Interest Received	61,850	48,666
Taxes paid	(160,331)	(330,548)
	<u>(404,413)</u>	<u>(934,783)</u>
<b>Net cash used in operating activities</b>	<u>(18,594,144)</u>	<u>(12,935,654)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(1,066,000)	(2,356,577)
Proceeds from sale of property and equipment	985,000	1,100,000
Movement in long term deposits	(500,000)	451,116
<b>Net cash used in investing activities</b>	<u>(581,000)</u>	<u>(805,461)</u>
<b>Cash flows from financing activities</b>		
Share deposit money	8,384,432	18,725,000
Movement in short term running finance	7,000,620	2,804,420
Dividend received	838,788	743,481
Loan from Directors	-	(7,513,437)
<b>Net cash generated from financing activities</b>	<u>16,223,839</u>	<u>14,759,464</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(2,951,306)</u>	<u>1,018,349</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>3,280,896</u>	<u>2,262,548</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>329,590</u>	<u>3,280,896</u>

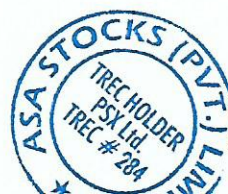
Note

16

The annexed notes 1 to 34 form an integral part of these financial statements.



Chief Executive




Director



# ASA STOCKS (PRIVATE) LIMITED

## Statement of Changes in Equity

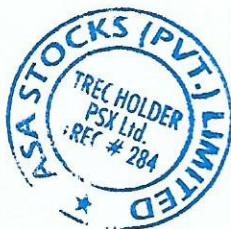
For the Year ended 30 June, 2017

	Share capital Rupees	Revenue Reserve Unappropriated profit/ (Loss) Rupees	Total Rupees
Balance as at 01 July 2015	17,500,000	582,309	18,082,309
Total comprehensive loss for the year	-	(405,051)	(405,051)
Balance as at 30 June 2016	17,500,000	177,258	17,677,258
Total comprehensive loss for the year	-	(11,524,464)	(11,524,464)
Balance as at 30th June, 2017	17,500,000	(11,347,206)	6,152,794

The annexed notes 1 to 34 form an integral part of these financial statements.



Chief Executive



Director

# ASA STOCKS (PRIVATE) LIMITED

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

## 6 PROPERTY AND EQUIPMENT

	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	As at 1 July 2016	For the Year	Adjustments	As at 30 June 2017		
	Rupees									
Office equipment	145,520	-	-	145,520	46,508	14,552	-	61,060	84,460	10
Computer equipment	293,030	66,000	-	359,030	96,396	65,206	-	161,602	197,428	20
Furniture and fixtures	537,830	-	-	537,830	171,890	53,783	-	225,673	312,157	10
Electrical Installations	155,826	-	-	155,826	86,681	31,165	-	117,846	37,980	20
Vehicles	2,273,347	1,000,000	1,054,961	2,218,386	161,467	416,002	69,961	507,508	1,710,878	15
	<b>3,405,553</b>	<b>1,066,000</b>	<b>1,054,961</b>	<b>3,416,592</b>	<b>562,942</b>	<b>580,708</b>	<b>69,961</b>	<b>1,073,689</b>	<b>2,342,903</b>	

	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	As at 1 July 2015	For the Year	Adjustments	As at 30 June 2016		
	Rupees									
Office equipment	145,520	-	-	145,520	35,507	11,001	-	46,508	99,012	10
Computer equipment	157,300	135,730	-	293,030	67,811	28,585	-	96,396	196,634	20
Furniture and fixtures	537,830	-	-	537,830	131,230	40,660	-	171,890	365,940	10
Electrical Installations	155,826	-	-	155,826	69,395	17,286	-	86,681	69,145	20
Vehicles	1,297,500	2,220,847	1,245,000	2,273,347	372,482	201,233	412,248	161,467	2,111,880	15
	<b>2,293,976</b>	<b>2,356,577</b>	<b>1,245,000</b>	<b>3,405,553</b>	<b>676,425</b>	<b>298,765</b>	<b>412,248</b>	<b>562,942</b>	<b>2,842,611</b>	

# ASA STOCKS (PRIVATE) LIMITED

Notes to the Financial Statements

For the Year ended 30 June, 2017

## 7 INTANGIBLE ASSET

	2017	2016
	----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. Notional value of TREC notified by PSX amounts to Rs. 5 million, hence no impairment has been recognized in the books of accounts.

	2017	2016
	Rupees	
<i>Note</i>		
<b>8 LONG TERM INVESTMENTS</b>		
<b>Investments available for sale</b>	8.1	
Investment in LSE Financial Services Limited (unquoted) - at cost	9,553,797	9,553,797

- 8.1 This represents 843,975 shares of Rs. 10 (valued at Rs. 11.32) 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.
- 8.2 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.

# ASA STOCKS (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>			
PSX membership deposit		200,000	200,000
Deposits to LSE for Rooms		5,078,768	5,078,768
Security deposit with NCCPL - future trading		500,000	-
NCCPL membership deposit		200,000	200,000
CDC membership deposit		200,000	200,000
Deposits to Landlord		90,000	90,000
		<u>6,268,768</u>	<u>5,768,768</u>
<b>10 TRADE DEBTS - NET</b>			
Considered good - secured	10.1	3,793,095	15,016,022
Considered doubtful		16,036,570	-
		<u>19,829,665</u>	<u>15,016,022</u>
Provision for doubtful debts	10.2	(9,093,962)	-
		<u>10,735,703</u>	<u>15,016,022</u>
10.1 Market value of securities held in CDC sub-accounts against these trade debts amount to Rs. 281,375,469.			
10.2 The movement in provision for doubtful debts can be analysed as under:			
Opening balance as at 1 July		-	-
Charge to profit and loss		9,093,962	-
		<u>9,093,962</u>	-
Amounts written-off during the year		-	-
Closing balance as at 30 June		<u>9,093,962</u>	-
<b>11 ADVANCES</b>			
Staff advances - unsecured		<u>28,500</u>	-
<b>12 DEPOSITS AND PREPAYMENTS</b>			
Clearing House Deposits (Reg. & Future)		3,292,555	96,463
Prepayments		4,581	11,848
		<u>3,297,136</u>	<u>108,311</u>
<b>13 OTHER RECEIVABLES</b>			
Receivable from NCCPL		8,502,179	1,922,021
Other receivables		56,204	-
		<u>8,558,383</u>	<u>1,922,021</u>

# ASA STOCKS (PRIVATE) LIMITED

Notes to the Financial Statements

For the Year ended 30 June, 2017

## 14 INCOME TAX - NET

Advance income tax	441,719	310,923
Provision for current tax	(37,633)	(29,536)
	<u>404,086</u>	<u>281,387</u>

## 15 SHORT TERM INVESTMENTS

### Investments at fair value through profit or loss

Investment in listed securities	18,466,340	13,537,466
Un-realised gain/(loss) on securities	-	(75,506)
	<u>18,466,340</u>	<u>13,461,960</u>

15.1

- 15.1 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.

## 16 CASH AND BANK BALANCES

		2017 Rupees	2016 Rupees
Cash in hand	<i>Note</i>	573	74,759
Cash at bank	16.1	<u>329,017</u>	<u>3,206,137</u>
		<u>329,590</u>	<u>3,280,896</u>

- 16.1 This includes Rs. 321,943 (2016: Rs. 3,097,124) amount held on account of clients.

# ASA STOCKS (PRIVATE) LIMITED

Notes to the Financial Statements

For the Year ended 30 June, 2017

## 17 SHARE CAPITAL

### Authorized

(300,000 Ordinary shares of Rs. 100 each fully paid-up )		30,000,000	30,000,000
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### Issued, subscribed and paid up

175,000 (2016: 175,000) Ordinary Shares of Rupees 100/- each fully paid	17.1	17,500,000	17,500,000
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17.1 Details of shareholders in the Company are as follows:

	Shareholding	
	%age	%age
Shmad Shoaib Akram - 140,000 (2016: 140,000) shares)	80%	80%
Muhammad Akram - 15,000 (2016: 15,000) shares)	8.571%	8.571%
Zahida Akram - 10,000 (2016: 10,000) shares)	5.714%	5.714%
Ahmad Junaid Akram - 10,000 (2016: 10,000) shares)	5.714%	5.714%

## 18 ADVANCE AGAINST ISSUE OF SHARES

Share deposit money	32	27,500,000	18,725,000
Loan from directors - unsecured	18.1	15,000	405,568
		<u>27,515,000</u>	<u>19,130,568</u>

18.1 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 long term liabilities - loan from directors to advance against issue of shares.

		2017 Rupees	2016 Rupees
19 TRADE AND OTHER PAYABLES	<i>Note</i>		
Trade creditors		828,990	4,904,869
House feartures role over trades		1,129,489	2,653,812
National clearing future trades payables		10,457,350	415,150
Withholding Tax payable		1,656	-
FED Payable		39,786	-
Accrued and other payables		965,906	1,668,034
		<u>13,423,176</u>	<u>9,641,864</u>

# ASA STOCKS (PRIVATE) LIMITED

Notes to the Financial Statements

For the Year ended 30 June, 2017

## 20 SHORT TERM RUNNING FINANCE

Short term running finance	20.1	<u>16,786,703</u>	<u>9,786,083</u>
		<u>16,786,703</u>	<u>9,786,083</u>

20.1 The balance represents the draw down amount against the total facility of Rs. 20 million obtained from Summit Bank. It carries mark-up of 3 months KIBOR Ask Average Rate plus 2%.

## 21 CONTINGENCIES AND COMMITMENTS

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

## 22 REVENUE

	Note	2017 Rupees	2016 Rupees
Commission Income from brokerage		<u>3,763,278</u>	<u>2,953,619</u>

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

## 23 OPERATING AND ADMINISTRATIVE EXPENSES

	Note	2017 Rupees	2016 Rupees
Staff Salaries		2,339,562	1,714,000
Director's remuneration		600,000	-
Fuel and power expenses		41,724	320,234
Telephone and internet charges		286,834	205,904
Postage and telegram		63,987	58,730
Fee and subscription		69,687	136,246
Printing and Stationary		109,940	27,594
Rent, Rate and Taxes		360,000	478,200
Legal & professional charges		90,748	36,000
CDC charges		115,073	87,375
NCSS charges		70,402	77,821
Provision for doubtful debts		9,093,962	-
Travelling and conveyance		1,320	-
Entertainment		51,635	82,460
Audit Remuneration		75,000	75,000
Newspaper and Periodicals		4,309	5,072
Utilities		225,988	-
Repair and Maintenance		203,994	47,807
Depreciation	6	580,708	298,766
Misc Expenses		49,342	22,061
		<u>14,434,216</u>	<u>3,673,270</u>

# ASA STOCKS (PRIVATE) LIMITED

Notes to the Financial Statements

For the Year ended 30 June, 2017

## 24 FINANCIAL CHARGES

Markup on running finance	481,076	-
Bank charges	4,061	652,901
	<u>485,137</u>	<u>652,901</u>

## 25 OTHER INCOME/ (LOSS)

Charges from clients	323,930	2,629
Markup received on bank deposits	129,462	48,666
Dividend Income	838,788	743,481
Markup received on PSX deposits	67,215	10,519
Gain on sale of fixed assets	-	267,248
Unrealized loss on short term investments	-	(75,506)
Loss on investments held for trading	(1,690,150)	-
	<u>(330,756)</u>	<u>997,037</u>

## 26 TAXATION

Current	26.1	<u>37,633</u>	<u>29,536</u>
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26.1 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.

26.2 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.

## 27 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	
	Director/ Chief Executive	Executives	Director/ Chief Executive	Executives
	-----Rupees-----			
Managerial remuneration	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Number of persons	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>



# ASA STOCKS (PRIVATE) LIMITED

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

## 28 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 28.1 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.

### 28.2 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		9,553,797		9,553,797
Long term deposits		6,268,768		5,768,768
Trade debts	10,735,703		15,016,022	
Advances	28,500		-	
Deposits	3,292,555		96,463	
Other receivables	8,558,383		1,922,021	
Short term investments	18,466,340		13,461,960	
Accrued Interest	67,612		-	
Cash and bank balances	329,590		3,280,896	
	<b>41,478,683</b>	<b>15,822,565</b>	<b>33,777,362</b>	<b>15,322,565</b>
<b>Financial liabilities</b>				
Long term financing	-	-	-	-
Short term borrowings	16,786,703		9,786,083	
Accrued Markup	175,145		-	
Trade and other payables	13,381,734		4,904,869	
	<b>30,343,582</b>	<b>-</b>	<b>14,690,952</b>	<b>-</b>

# ASA STOCKS (PRIVATE) LIMITED

Notes to the Financial Statements

For the Year ended 30 June, 2017

## 28.3 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.

## 28.4 Financial risk factors

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

- Credit risk
- Liquidity risk
- Market risk

### 28.4.1 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

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.

## ASA STOCKS (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:-

	<b>2017</b>	<b>2016</b>
	<b>Rupees</b>	<b>Rupees</b>
Long term investments	9,553,797	9,553,797
Long term deposits	6,268,768	5,768,768
Trade debt - net	10,735,703	15,016,022
Advances	28,500	-
Deposits	3,292,555	96,463
Other receivables	8,558,383	1,922,021
Short term investments	18,466,340	13,461,960
Accrued Interest	67,612	-
Cash and bank balances	-	-
	<u>56,971,658</u>	<u>45,819,031</u>

# ASA STOCKS (PRIVATE) LIMITED

Notes to the Financial Statements

For the Year ended 30 June, 2017

## 28.4.2 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
Long term financing	-	-	-
Short term borrowings	16,786,703	16,786,703	-
Mark-up accrued	175,145	175,145	-
Trade and other payables	13,381,734	13,381,734	-
<b>Total</b>	<b>30,343,582</b>	<b>30,343,582</b>	<b>-</b>

Financial liabilities	As at June 30, 2016		
	Carrying amount	Within one year	More than one
Long term financing	-	-	-
Short term borrowings	9,786,083	9,786,083	-
Mark-up accrued	-	-	-
Trade and other payables	4,904,869	4,904,869	-
<b>Total</b>	<b>14,690,952</b>	<b>14,690,952</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.

## 28.4.3 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.