

**Spectrum Securities (Private) Limited**  
**Financial Statements**  
**For the year ended June 30, 2016**

**Spectrum Securities (Private) Limited**  
**Financial Statements**  
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# Spectrum Securities (Private) Limited

Formerly Mazhar Hussain Securities (Pvt) Limited  
TREC Holder : Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange Limited)

## DIRECTORS' REPORT

The Directors take pleasure in presenting their report together with the annual financial statements of the Company for the year June 30, 2016 together with auditors report.

## PERFORMANCE REVIEW

The working results of the company for the said financial year are given as under:

### OPERATIONAL RESULTS

	Rupees
Operating revenue	17,323,921
Operating expenses	(22,324,141)
Operating profit	(5,000,220)
Other charges	-
Other income	2,351,889
Profit before tax	(2,648,331)
Tax	(437,088)
Profit after tax	<u>(3,085,419)</u>

## DIVIDEND

The Directors do not recommended any dividend due to anticipated working capital requirements during next financial year.

## EARNINGS/(LOSS) PER SHARE

Earnings per share for the year ended 30th June 2016 was Rs. (3.43)

## FUTURE PROSPECTS

Due to improvement in economic indicators political stability and better law and order situation, the future of capital market is also bright. The directors are hopeful that the future profitability of the company will be increased.

## AUDITORS

The auditors of the company Nasir Javaid Maqsood Imran – Chartered Accountants have retired, being eligible, their services for the ensuing year.

On behalf of the board

Karachi:  
Dated:

**07 OCT 2016**



Chief Executive



**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **Spectrum Securities (Private) Limited** as at **June 30, 2016** 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 and the requirements of the Companies Ordinance, 1984. 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 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 Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

Offices also at:

**LAHORE:** OFFICE NO. 1102, AL-HAFEEZ HEIGHTS, 65-D/1, GHALIB ROAD, GULBERG - III, LAHORE.  
Tel: +92(0)42-35754821-22 Email: nasirgulzar@njmi.net

**ISLAMABAD:** OFFICE NO. 12 & 13, 3RD FLOOR, FAZAL ARCADE, F-11, MARKAZ, ISLAMABAD, PAKISTAN.  
Tel: +9251-2228138, Fax: +9251-2228139, Email: njmiconsultants@gmail.com

A member firm of







- (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, 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, 2016** and of the profit, 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.



The stamp is circular with a purple border. The text inside the stamp reads: "NASIR JAVAID MAQSOOD IMRAN" at the top, "KARACHI" in the center, and "CHARTERED ACCOUNTANTS" at the bottom. The signature "Nasir Javaid Maqsood Imran" is written in blue ink across the stamp.

Dated:  
Karachi

**07 OCT 2016**

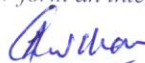
**NASIR JAVAID MAQSOOD IMRAN**  
Chartered Accountants

**Audit Engagement Partner: M. Javaid Qasim**

**Spectrum Securities (Private) Limited**  
**Balance Sheet**  
**As at June 30, 2016**

	Note	Rupees 2016	Rupees 2015
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property & equipment	4	8,073,376	5,685,201
Intangible assets	5	10,037,560	10,163,800
Long term investment	6	25,467,400	25,467,400
Long term deposits	7	1,010,000	1,010,000
		44,588,336	42,326,401
<b>CURRENT ASSETS</b>			
Trade receivables	8	6,011,258	7,198,685
Short term investment	9	17,876,295	6,711,110
Advances, deposits, pre-payments & other receivables	10	15,966,733	39,148,615
Cash & bank balances	11	12,829,117	3,442,889
		52,683,403	56,501,299
<b>TOTAL ASSETS</b>		<b>97,271,739</b>	<b>98,827,700</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
<b>Authorized Capital</b>			
1,000,000 (2015: 1,000,000) Ordinary shares of Rs. 100/- each		100,000,000	100,000,000
Issued, subscribed and paid-up capital	12	90,000,000	40,000,000
Advance against share capital		-	48,000,000
Unappropriated Loss		(7,491,778)	(4,406,359)
		82,508,222	83,593,641
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term loan		-	10,000,000
<b>CURRENT LIABILITIES</b>			
Trade payables		10,674,783	4,244,121
Accrued expenses & other liabilities	13	4,088,733	989,938
		14,763,516	5,234,059
<b>CONTINGENCIES AND COMMITMENTS</b>	14	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>97,271,739</b>	<b>98,827,700</b>

*The annexed notes from 1 to 27 form an integral part of these financial statements.*

  
**Chief Executive**

  
**Director**

Spectrum Securities (Private) Limited  
Profit & Loss Accounts  
For the year ended June 30, 2016

	Note	Rupees 2016	Rupees 2015
<b>REVENUE</b>			
Operating revenue	15	17,107,532	6,676,580
Capital (loss)/gain on sale of investments		(140,577)	917,928
Gain/(loss) on remeasurement of investments		356,966	(687,986)
		<u>17,323,921</u>	<u>6,906,522</u>
Administrative expenses	16	(22,242,140)	(11,702,168)
Finance cost	17	(82,001)	(27,425)
		<u>(22,324,141)</u>	<u>(11,729,593)</u>
<b>Operating loss</b>		<u>(5,000,220)</u>	<u>(4,823,071)</u>
<b>Other income</b>	18	2,351,889	584,309
<b>Loss before taxation</b>		<u>(2,648,331)</u>	<u>(4,238,762)</u>
<b>Taxation</b>	19	(437,088)	(251,102)
<b>Loss after taxation</b>		<u>(3,085,419)</u>	<u>(4,489,864)</u>
<b>Loss per share - basic</b>	20.1	<u>(3.43)</u>	<u>(11.22)</u>
<b>Loss per share - diluted</b>	20.2	<u>(3.43)</u>	<u>(5.10)</u>

*The annexed notes from 1 to 27 form an integral part of these financial statements.*

  
Chief Executive

  
Director

Spectrum Securities (Private) Limited  
Statement of Comprehensive Income  
For the year ended June 30, 2016

	Note	Rupees 2016	Rupees 2015
Loss after taxation		(3,085,419)	(4,489,864)
Other comprehensive income		-	-
Total comprehensive loss for the year		(3,085,419)	(4,489,864)

*The annexed notes from 1 to 27 form an integral part of these financial statements.*

  
Chief Executive

  
Director



Spectrum Securities (Private) Limited  
Cash Flow Statement  
For the year ended June 30, 2016

Note	Rupees 2016	Rupees 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(2,648,331)	(4,238,762)
<b>Add/(less) : Items not involved in movement of fund:</b>		
Depreciation	980,367	852,385
Amortization of intangible asset	126,240	157,800
(Gain) / loss on remeasurement of investments	(356,966)	687,986
Finance costs	82,001	27,425
	<b>831,642</b>	<b>1,725,596</b>
Cash used in from operating activities before working capital changes	(1,816,689)	(2,513,166)
Net change in working capital	<b>(a) 35,295,883</b>	<b>(41,516,704)</b>
Finance costs paid	(82,001)	(27,425)
Taxes paid	(1,834,204)	(202,638)
<b>Net cash generated from / (used in) operating activities</b>	<b>31,562,989</b>	<b>(44,259,933)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(3,368,542)	(6,537,586)
Acquisition of computer software	-	(789,000)
Short term investments	(10,808,219)	(7,399,096)
Long term deposits	-	(300,000)
<b>Net cash used in investing activities</b>	<b>(14,176,761)</b>	<b>(15,025,682)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term loan (repaid)/received	(10,000,000)	10,000,000
Advance against share capital	-	48,000,000
Share capital issued	2,000,000	-
<b>Net cash (used in) / generated from financing activities</b>	<b>(8,000,000)</b>	<b>58,000,000</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>9,386,228</b>	<b>(1,285,615)</b>
Cash and cash equivalents at the beginning of the year	3,442,889	4,728,504
<b>Cash and cash equivalents at the end of the year</b>	<b>11 12,829,117</b>	<b>3,442,889</b>
<b>(Increase)/decrease in current assets</b>		
Trade receivables	1,187,427	(7,198,685)
Advances, deposits, pre-payments & other receivables	24,578,999	(39,163,373)
	<b>25,766,426</b>	<b>(46,362,058)</b>
<b>Increase / (decrease) in current liabilities</b>		
Trade payables	6,430,662	4,244,121
Accrued expenses & other liabilities	3,098,795	601,233
	<b>9,529,457</b>	<b>4,845,354</b>
<b>Net change in working capital</b>	<b>35,295,883</b>	<b>(41,516,704)</b>

The annexed notes from 1 to 27 form an integral part of these financial statements.

  
Chief Executive

  
Director

Spectrum Securities (Private) Limited  
Statement of Changes in Equity  
For the year ended June 30, 2016

	Share Capital	Profit/ (Loss)	Total
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
<b>Balance as at June 30, 2014</b>	40,000,000	83,505	40,083,505
Loss after taxation	-	(4,489,864)	(4,489,864)
<b>Balance as at June 30, 2015</b>	40,000,000	(4,406,359)	35,593,641
Shares capital issued	50,000,000		50,000,000
Loss after taxation	-	(3,085,419)	(3,085,419)
<b>Balance as at June 30, 2016</b>	<b>90,000,000</b>	<b>(7,491,778)</b>	<b>82,508,222</b>

*The annexed notes from 1 to 27 form an integral part of these financial statements.*

  
Chief Executive

  
Director

**Spectrum Securities (Private) Limited**  
**Notes to the accounts**

**1 STATUS AND NATURE OF BUSINESS**

Spectrum Securities (Private) Limited (Formerly Mazhar Hussain Securities (Private) Limited) (the Company) was incorporated in October 27, 2014 as a private limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at Room No. 425, 4th Floor, Stock Exchange Building, Stock Exchange Road, Karachi, Pakistan. The company is engaged in the business of financial consultancy, brokerage, underwriting and investment counselling. It is a Trading Right Certificate Holder of the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited - KSEL)

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance, or the directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or of the said directives have been followed.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except for derivatives, investment classified as 'held for trading'.

**2.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees, which is Company's functional and presentation currency.

**2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with approved financial reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.



**Spectrum Securities (Private) Limited**  
**Notes to the accounts**

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Property, plant and equipment**

**3.1.1 Owned**

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset including borrowing costs.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the carrying amount as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit and loss account during the year in which they are incurred.

Disposal of an item of property, plant and equipment is recognized when significant risks and rewards incidental to ownership have been transferred. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized within 'Other operating expenses/income in the profit and loss account.

Depreciation is charged to profit and loss account applying the reducing balance method.

Depreciation is charged when asset is available for use until asset is disposed off.

**3.1.2 Leased assets**

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset. Outstanding obligations under the lease less finance cost allocated to future periods are shown as a liability.

Finance cost under lease agreements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Leased assets are depreciated over the period shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Depreciation is charged to profit and loss account using reducing balance method.

**Spectrum Securities (Private) Limited**  
**Notes to the accounts**

**3.2 Intangible assets**

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged using reducing balance method over assets estimated useful life, after taking into accounts residual values, useful life and amortization methods are reviewed and adjusted, if appropriate, at 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.

**3.2.1 Trading Right Entitlement Certificate**

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

**3.2.2 Pakistan Mercantile Exchange - Membership card**

Membership card represents corporate membership of Pakistan Mercantile Exchange with indefinite useful life. This is stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether this is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, this is written down to its estimated recoverable amount.

**3.2.3 Computer software**

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

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

Computer software and license costs are stated at cost less accumulated amortization and any identified impairment loss and amortized through reducing balance method.

Amortization is charged from the month in which the related asset is available for use while no amortization is charged for the month in which such asset is disposed off.



**Spectrum Securities (Private) Limited**  
**Notes to the accounts**

**3.3 Investment property**

Property that is held for long-term rental yields or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes, is classified as investment property. Investment property is initially measured at its cost, including related transaction costs and borrowing costs, if any.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expenses when incurred.

**3.4 Impairment**

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 the 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.

The carrying amount of the Company's non financial assets and investments carried at cost are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is higher of an asset's fair value less cost to sell and value in use. Impairment losses are recognized in the profit and loss account.

**Spectrum Securities (Private) Limited**  
**Notes to the accounts**

**3.5 Financial assets**

3.5.1 The Company classifies its financial assets in the following categories: at cost, at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**a) Long term investment**

**Investment in subsidiary**

The company considers its subsidiary companies to be such enterprise in which the company has control and/ownership of more than half or fifty percent of the voting power.

Investment in subsidiaries are carried at cost in accordance with IAS-27-'Consolidated and Separate Financial Statements'.

**b) Financial assets 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.

**c) 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 for 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, other receivables in the balance sheet.

**d) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

**e) Held to maturity**

Financial assets with fixed or determinable payments and fixed maturity, where management has intention and ability to hold till maturity are classified as held to maturity.

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**Spectrum Securities (Private) Limited**  
**Notes to the accounts**

**3.5.2** 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 recognized on trade-date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized 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 recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized 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.

Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. Investments in associates are accounted for using the equity method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the profit and loss account as a reclassification adjustment. Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit and loss account. Dividends on available-for-sale equity instruments are recognized in the profit and loss account when the Company's right to receive payments is established.

The fair value of quoted equity instruments are based on current market prices. Subsequent to initial measurement equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment in value, if any.

**3.5.3** Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.



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**Spectrum Securities (Private) Limited**  
**Notes to the accounts**

**3.6 Derivatives**

Derivative instruments held by the Company primarily comprise of future contracts in the capital market. These are initially recognized at fair value and are subsequently re-measured at fair value. The fair value of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contracts. Derivatives with positive market values (unrealized gains) are included in assets and derivatives with negative market values (unrealized losses) are included in liabilities in the balance sheet. The resultant gains and losses are included in the profit and loss account.

**3.7 Securities purchased / sold under resale / repurchase agreements**

Transactions of purchase under resale (reverse-repo) of marketable securities including the securities purchased under margin trading system are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resale at a specified future date (reverse-repo) are not recognized in the balance sheet. Amounts paid under these agreements in respect of reverse repurchase transactions are included in assets. The difference between purchase and resale price is treated as income from reverse repurchase transactions in marketable transactions / margin trading system and accrued over the

Transactions of sale under repurchase (repo) of marketable securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investments. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as finance cost and accrued over the life of the repo agreement.

**3.8 Financial liabilities**

Financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently carried at amortized cost using effective interest rate method.

**3.9 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle either on a net basis, or realize the asset and settle the liability simultaneously.

**Spectrum Securities (Private) Limited**  
**Notes to the accounts**

**3.10 Trade debts and other receivables**

Trade debts and other receivables are recognized at fair value and subsequently measured at amortized cost. A provision for impairment in trade debts and other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables. Trade debts and other receivables considered irrecoverable are written off. Trade Receivables in respect of securities sold on behalf of client are recorded at settlement date of transaction.

**3.11 Fiduciary assets**

Assets held in trust or in a fiduciary capacity by the company are not treated as assets of the Company and accordingly are not included in these financial statements.

**3.12 Cash and cash equivalents**

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**3.13 Share capital**

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**3.14 Trade and other payables**

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method. Trade payables in respect of securities purchased are recorded at settlement date of transaction.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

**3.15 Taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.



**Spectrum Securities (Private) Limited**  
**Notes to the accounts**

**Current**

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

**Deferred**

Deferred tax is recognized using balance sheet liability method, providing for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**3.16 Provisions**

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

**3.17 Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value. Financial assets are derecognized when the contractual right to the cash flow from the financial assets expires or is transferred. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired. Financial instruments carried on the balance sheet include investments, trade debts and other receivables, loans and advances, cash and bank balances, deposits, borrowings, trade and other payables and accrued and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet only when the company has legally enforceable right to offset the recognized amount and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction on the measurement date.

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**Spectrum Securities (Private) Limited**  
**Notes to the accounts**

When available, the Company measures the fair value of an investment using quoted price in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transaction on an arm's length basis.

**3.18 Foreign currency transactions and translation**

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

**3.19 Revenue recognition**

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

- Brokerage, consultancy, advisory fee and commission etc. are recognized as and when such services are provided.
- Income from bank deposits, reverse repo and margin deposits is recognized at effective yield on time proportion basis.
- Income from marginal finance is recognized as and when such services are provided.
- Dividend income is recorded when the right to receive the dividend is established.
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Unrealized capital gains / (losses) arising from mark to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in profit and loss account for the period in which they arise.
- Rental income from investment properties is recognized on accrual basis.
- Other/miscellaneous income is recognized on receipt basis.

**3.20 Borrowing costs**

Borrowing costs incurred on short term and long term borrowing are recognized as an expense in the period in which these are incurred.

**3.21 Related party transactions**

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates on the same terms and conditions as third party transactions using valuation models, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

Spectrum Securities (Private) Limited  
Notes to the accounts

**4 PROPERTY AND EQUIPMENT**

	Office (Rupees)	Office equipments (Rupees)	Motor vehicles (Rupees)	Furniture & fixtures (Rupees)	Computer equipments (Rupees)	Total (Rupees)
Opening net book value (NBV)	1,995,000	1,029,472	-	2,012,341	648,388	5,685,201
Additions (at cost)	-	809,641	2,024,402	408,212	126,287	3,368,542
Disposals (at NBV)	-	-	-	-	-	-
Depreciation charge	(99,750)	(183,911)	(101,220)	(363,083)	(232,402)	(980,367)
Closing net book value (NBV)	<b>1,895,250</b>	<b>1,655,202</b>	<b>1,923,182</b>	<b>2,057,470</b>	<b>542,272</b>	<b>8,073,376</b>

**Gross carrying value basis**

**As at June 30, 2015**

Cost	2,100,000	1,953,499	2,024,402	2,775,672	1,052,555	9,906,128
Accumulated depreciation	(204,750)	(298,297)	(101,220)	(718,202)	(510,282)	(1,832,752)
<b>Net book value (NBV)</b>	<b>1,895,250</b>	<b>1,655,202</b>	<b>1,923,182</b>	<b>2,057,470</b>	<b>542,273</b>	<b>8,073,376</b>

**Net carrying value basis**

**Year ended June 30, 2015**

Opening net book value (NBV)	-	-	-	-	-	-
Additions (at cost)	2,100,000	1,143,858	-	2,367,460	926,268	6,537,586
Disposals (at NBV)	-	-	-	-	-	-
Depreciation charge	(105,000)	(114,386)	-	(355,119)	(277,880)	(852,385)
Impairment	1,995,000	1,029,472	-	2,012,341	648,388	5,685,201
Closing net book value (NBV)	<b>1,995,000</b>	<b>1,029,472</b>	<b>-</b>	<b>2,012,341</b>	<b>648,388</b>	<b>5,685,201</b>

**Gross carrying value basis**

**As at June 30, 2015**

Cost	2,100,000	1,143,858	-	2,367,460	926,268	6,537,586
Accumulated depreciation	(105,000)	(114,386)	-	(355,119)	(277,880)	(852,385)
Impairment	1,995,000	1,029,472	-	2,012,341	648,388	5,685,202
<b>Net book value (NBV)</b>	<b>1,995,000</b>	<b>1,029,472</b>	<b>-</b>	<b>2,012,341</b>	<b>648,388</b>	<b>5,685,201</b>

Depreciation rate (% per annum)

5	10	15	20	30
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Spectrum Securities (Private) Limited  
Notes to the accounts

Note	Rupees 2016	Rupees 2015
	9,532,600	9,532,600
5.1	504,960	631,200
	<b>10,037,560</b>	<b>10,163,800</b>

**5 INTANGIBLE ASSETS**

Trading right entitlement certificates  
Computer software

**5.1 Computer Software**

Acquisition cost  
Accumulated amortisation

Amortisation for the year  
Net book value

789,000	789,000
(157,800)	-
<b>631,200</b>	<b>789,000</b>
(126,240)	(157,800)
<b>504,960</b>	<b>631,200</b>

**6 LONG TERM INVESTMENTS**

Available for sale - unquoted

Investments in ;

Shares of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited - KSEL)  
Shares of LSE Financial Services Limited (formerly Lahore Stock Exchange Limited - LSEL)

18,191,000	18,191,000
7,276,400	7,276,400
<b>25,467,400</b>	<b>25,467,400</b>

6.1 This represents unquoted shares of Stock Exchange received by the Company in pursuance of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. The total number of shares received by the Company were 4,007,383 of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited - KSEL) 843,975 shares of LSE Financial Services Limited (formerly Lahore Stock Exchange Limited - LSEL), out of total number of shares owned, 60% shares of the said entities are held in separate CDC blocked Account, to restrict the sale of these shares by the members. Whereas stock exchanges will dispose of these shares under the Demutualization Act, however the proceeds of these shares and right to dividend/bonus is vested with the Company whereas the voting rights attached to these shares are suspended. These shares are valued at initially recognized cost.

Note	Rupees 2016	Rupees 2015
	410,000	410,000
	200,000	200,000
	400,000	400,000
	<b>1,010,000</b>	<b>1,010,000</b>

**7 LONG TERM DEPOSITS**

Pakistan Stock Exchange Limited  
Central Depository Company of Pakistan Limited  
National Clearing Company of Pakistan Limited

**Spectrum Securities (Private) Limited**  
**Notes to the accounts**

Note	Rupees 2016	Rupees 2015
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**8 TRADE RECEIVABLES - CONSIDERED GOOD**

- from clients

6,011,258	7,198,685
<b>6,011,258</b>	<b>7,198,685</b>

**9 SHORT TERM INVESTMENTS**

**Investments at fair values through profit & loss held for trading**

Listed equity securities at cost	17,519,329	7,399,096
Unrealized gain/(loss) as a result of measurement at market value	356,966	(687,986)
Market value	<b>17,876,295</b>	<b>6,711,110</b>

**10 ADVANCES, DEPOSITS, PRE-PAYMENTS & OTHER RECEIVABLES**

Exposure deposit	<b>10.1</b>	9,916,100	37,468,138
Advance payment of tax		1,884,191	823,750
Advances for expenses		255,285	-
Advance to contractor		609,709	832,500
Staff loan		59,900	-
Other receivables		3,241,548	24,227
		<b>15,966,733</b>	<b>39,148,615</b>

**10.1** These represent amounts of deposits held at the year end against exposure arising out of the trading in securities in accordance with the regulations of Pakistan Stock Exchange and National Clearing Company Pakistan Limited.

**11 CASH AND BANK BALANCES**

Cash in hand	220,600	246,098
Cash at bank		
- in current account	12,608,517	3,196,791
	<b>12,829,117</b>	<b>3,442,889</b>

**12 ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

2016	2015			
Number of shares				
900,000	400,000	Ordinary shares of Rs. 100 each fully paid in cash	90,000,000	40,000,000
<b>900,000</b>	<b>400,000</b>		<b>90,000,000</b>	<b>40,000,000</b>

**12.1** The shareholders are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the Company. All shares carry "one vote" per share without restriction.



Spectrum Securities (Private) Limited  
Notes to the accounts

Note	Rupees 2016	Rupees 2015
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**13 ACCRUED EXPENSES AND OTHER LIABILITIES**

Accrued expenses	196,040	-
Other liabilities	3,892,693	751,233
Provision for taxation	-	238,705
	<u>4,088,733</u>	<u>989,938</u>

**14 CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments as on June 30, 2016 (2015:Nil).

**15 OPERATING REVENUE**

Brokerage commission	14,998,938	4,846,400
Dividend income	2,108,594	1,830,180
	<u>17,107,532</u>	<u>6,676,580</u>

**16 ADMINISTRATIVE EXPENSES**

Salaries and other benefits	9,513,471	3,816,365
Director's remuneration	3,000,000	3,000,000
Rent, rates and taxes	1,086,062	353,410
Repairs and maintenance	1,008,986	247,555
Printing and stationery	377,613	201,225
Fees and subscription	621,045	899,697
Traveling and conveyance	61,068	48,050
Commission expense	559,258	63,928
Computer and software expenses	610,000	37,455
Entertainment	33,410	206,485
Vehicle running expenses	45,200	186,644
Auditor's remuneration	150,000	150,000
Utilities & communication	2,544,256	1,042,446
Postage and courier	27,004	6,315
Insurance	12,429	-
Advertisement & business promotion	673,273	-
Service and transaction charges	298,634	237,244
Depreciation	980,367	852,385
Amortization of software	126,240	157,800
Other expenses	513,824	195,164
	<u>22,242,140</u>	<u>11,702,168</u>

Spectrum Securities (Private) Limited  
Notes to the accounts

Note	Rupees 2016	Rupees 2015
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**17 FINANCE COST**

Bank charges and commission

82,001	27,425
<b>82,001</b>	<b>27,425</b>

**18 OTHER INCOME**

Profit on exposure deposit

880,319	201,839
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Recoveries

369,826	380,466
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Additional charges

1,101,231	-
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Others

513	2,004
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<b>2,351,889</b>	<b>584,309</b>
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**19 TAXATION**

Current

437,088	251,102
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<b>437,088</b>	<b>251,102</b>
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**19.1 Relationship between income tax expense and accounting profit**

In the view of tax loss for the year, provision for minimum tax has been made in accordance with Section 113 of Income Tax Ordinance, 2001. Therefore, relationship between tax expense and accounting profit has not been presented for the current year.

19.2 Income tax returns of the company have been finalized upto and including the tax year 2015, which are deemed to be assessment order under provisions of Income Tax Ordinance, 2001.

**20 LOSS PER SHARE- BASIC & DILUTED**

**20.1 Basic loss per share**

Loss after taxation

(3,085,419)	(4,489,864)
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Number of shares at the end of the year

900,000	400,000
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<b>(3.43)</b>	<b>(11.22)</b>
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**20.2 Diluted loss per share**

Loss after taxation

(3,085,419)	(4,489,864)
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Number of shares at the end of the year

900,000	880,000
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<b>(3.43)</b>	<b>(5.10)</b>
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**21 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS**

	2016		2015	
	Directors	Chief Executive	Directors	Chief Executive
Managerial remuneration	-	3,000,000	-	3,000,000
	-	<b>3,000,000</b>	-	<b>3,000,000</b>
Number of person(s)	-	<b>1</b>	-	<b>1</b>

Spectrum Securities (Private) Limited  
Notes to the accounts

22 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

22.1 Financial instruments by categories

22.1.1 Financial assets

	2016				
	At fair value through profit or loss - held for trading	Available for sale	Loans and receivables	Other financial assets	Total
Long term investment	-	25,467,400	-	-	25,467,400
Long term loans, advances & deposits	-	-	1,010,000	-	1,010,000
Short term investments	17,876,295	-	-	-	17,876,295
Trade debts - unsecured	-	-	6,011,258	-	6,011,258
Short term deposits, advances & other receivables	-	-	15,966,733	-	15,966,733
Cash and bank balances	-	-	-	12,829,117	12,829,117
	<b>17,876,295</b>	<b>25,467,400</b>	<b>22,987,991</b>	<b>12,829,117</b>	<b>79,160,803</b>

	2015				
	At fair value through profit or loss - held for trading	Available for sale	Loans and receivables	Other financial assets	Total
Long term investment	-	25,467,400	-	-	25,467,400
Long term loans, advances & deposits	-	-	1,010,000	-	1,010,000
Short term investments	6,711,110	-	-	-	6,711,110
Trade debts - unsecured	-	-	7,198,685	-	7,198,685
Short term deposits, advances & other receivables	-	-	39,148,615	-	39,148,615
Cash and bank balances	-	-	-	3,442,889	3,442,889
	<b>6,711,110</b>	<b>25,467,400</b>	<b>47,357,300</b>	<b>3,442,889</b>	<b>82,978,699</b>

22.1.2 Financial liabilities

	2016		
	Amortised cost	At fair value through profit or loss	Total
Long term loan	-	-	-
Creditors, accrued expenses and other liabilities	14,763,516	-	14,763,516
	<b>14,763,516</b>	<b>-</b>	<b>14,763,516</b>

	2015		
	Amortised cost	At fair value through profit or loss	Total
Long term loan	10,000,000	-	10,000,000
Creditors, accrued expenses and other liabilities	5,234,059	-	5,234,059
	<b>15,234,059</b>	<b>-</b>	<b>15,234,059</b>

