

**FORTUNE SECURITIES LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**JUNE 30, 2018**

**FORTUNE SECURITIES LIMITED**

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF FORTUNE SECURITIES LIMITED**

**Report on the Audit of the Financial Statements**

**Opinion**

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

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

**Basis for Opinion**

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

**Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the directors' report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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





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

**Report on Other Legal and Regulatory Requirements**

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

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

The engagement partner on the audit resulting in this independent auditor's report is **Ahsan Elahi Vohra - FCA**

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*Naveed Zafar Ashfaq Jaffery & Co*  
Chartered Accountants

Dated : 02 OCT 2018  
Karachi:

**FORTUNE SECURITIES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2018**

		2018	2017 Re-stated (Rupees)	2016 Re-stated
	Note			
<b>EQUITY AND LIABILITIES</b>				
<b>Share capital and reserves</b>				
Authorized share capital				
20,000,000 (2017: 20,000,000) Ordinary Shares of Rs. 10/- each		200,000,000	200,000,000	200,000,000
Issued, subscribed and paid-up capital	6	124,982,450	124,982,450	124,982,450
Unappropriated profit		73,905,602	120,573,729	59,193,912
Surplus on revaluation of property and equipment	7	25,466,686	28,537,524	31,608,360
		224,354,738	274,093,703	215,784,722
<b>Non-current liabilities</b>				
Loan from related party	8		13,808,578	
Deferred tax liability				110,782
Liabilities against assets subject to finance lease	9	2,620,868	5,465,899	137,273
<b>Current liabilities</b>				
Trade creditors, accrued and other liabilities	11	280,421,227	401,887,168	137,238,795
Short term running finance	10	4,647,435	29,391,245	
Current maturity of liabilities against assets subject to finance lease	9	4,198,460	3,602,809	742,974
		289,267,122	434,881,222	137,981,769
		516,242,728	728,249,402	354,014,546
<b>Contingencies and commitments</b>				
	12			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment	13	67,306,911	76,560,236	70,006,670
Intangible assets	14	11,453,888	18,953,888	18,953,888
Deferred tax asset	15	13,148,660	12,083,315	
Long term investments	16	21,353,582	25,727,412	39,993,682
Long term deposits	17	3,193,798	23,641,095	1,426,627
		116,456,839	156,965,947	130,380,868
<b>Current assets</b>				
Trade debts - considered good	18	29,345,554	20,193,711	43,650,706
Short term investment	19	93,752,561	101,658,840	
Advances - considered good	20	5,140,981	4,413,420	21,886,733
Deposits and prepayments	21	104,321,059	12,549,487	4,862,525
Other receivables	22	25,875,412	16,554,547	15,005,641
Loan to directors	23	27,500,000		
Taxation - net of provision		22,537,876	23,704,158	8,412,509
Cash and bank balances	24	91,312,446	372,209,292	129,815,565
		399,785,889	571,283,456	223,633,679
		516,242,728	728,249,402	354,014,546

The annexed notes from 1 to 40 form an integral part of these financial statements.

  
**Chief Executive**

  
**Director**

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**FORTUNE SECURITIES LIMITED**  
**STATEMENT OF PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 ———— (Rupees) ————	2017 ————
Operating revenue	25	99,296,238	149,332,305
Capital gain on investment at fair value through profit or loss		8,008,147	59,289,321
Impairment loss on trading right entitlement certificate	14.2	(7,500,000)	-
Administrative and operating expenses	26	(116,542,610)	(154,229,399)
<b>Operating (loss) / profit</b>		<b>(16,738,225)</b>	<b>54,392,226</b>
Other income	27	11,183,460	14,362,929
Other charges	28	(15,844,210)	(9,520,635)
		<b>(21,398,975)</b>	<b>59,234,520</b>
Finance cost	29	(2,526,420)	(2,059,995)
Gain on initial recognition on interest free loan from related party		-	968,357
<b>(Loss) / Profit before taxation</b>		<b>(23,925,395)</b>	<b>58,142,882</b>
Taxation	30	(19,197,569)	(5,379,039)
<b>(Loss) / Profit after taxation for the year</b>		<b>(43,122,964)</b>	<b>52,763,843</b>
<b>(Loss) / earning per share - basic and diluted</b>	31	<b>(3.45)</b>	<b>4.22</b>

The annexed notes from 1 to 40 form an integral part of these financial statements.

  
**Chief Executive**


  
**Director**

**FORTUNE SECURITIES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	2018	2017
	(Rupees)	
(Loss) / Profit after taxation for the year	(43,122,964)	52,763,843
Items that will be subsequently reclassified to profit and loss account		
Unrealised gain transfer to Profit and loss account on disposal of shares	-	(1,075,601)
Surplus on revaluation of property and equipment - net of tax	3,070,838	-
Gain on remeasurement of investment held as 'Available for sale'	(6,414,259)	25,166,365
<b>Total comprehensive (loss) / Income for the year</b>	<b>(46,466,385)</b>	<b>76,854,607</b>

The annexed notes from 1 to 40 form an integral part of these financial statements.

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Chief Executive



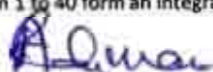
Director



**FORTUNE SECURITIES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 ----- (Rupees) -----	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / Profit before taxation		(23,925,395)	58,142,882
Adjustments for :			
- Depreciation		12,909,497	11,413,307
- Loss on short term investments		7,803,063	(9,962,509)
- Provision for doubtful debts		-	33,161,348
- Gain on disposal of asset		(301,325)	(1,122,178)
- Gain on sale of PSX shares		-	(43,961,178)
- Impairment on TREC		7,500,000	-
- Other payable written back		-	(1,563,775)
- Other receivable written off		-	4,421,835
- Finance income		-	(968,357)
- Finance cost on unwinding of discount on related parties		-	478,677
- Finance cost		2,526,420	1,581,318
		<u>30,437,655</u>	<u>(6,521,512)</u>
Cash generated from operating activities before working capital changes		6,512,259	51,621,370
Decrease / (Increase) in current assets:			
Trade debts - considered good		(9,151,843)	(9,704,353)
Advances - considered good		(727,561)	17,473,313
Deposits and prepayments		(71,771,572)	(29,169,436)
Other receivables		(9,320,865)	-
(Decrease) / Increase in current liabilities:			
Trade creditors, accrued and other liabilities		(121,465,941)	266,212,148
		<u>(212,437,782)</u>	<u>244,811,671</u>
Finance cost paid		(2,036,739)	(1,581,318)
Taxes paid		(19,096,633)	(32,864,784)
Net cash (used in) / generated from operating activities		<u>(227,058,894)</u>	<u>261,986,939</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment		(2,641,300)	(2,963,699)
Short term investments made		(1,937,213)	(73,759,903)
Proceeds from disposal of property and equipments		2,475,917	1,575,005
Proceed from sale of long term investment		-	62,393,521
Trade term deposit made		-	(2,500,000)
Receipts/(Payment) of long term deposits		20,447,297	(22,214,468)
Net cash generated / (used in) from investing activities		<u>18,344,701</u>	<u>(37,469,544)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Repayment of) / proceeds from long term loan		(14,500,000)	14,500,000
Payment of loan to director		(27,500,000)	-
Payment of finance lease liabilities		(5,438,844)	(7,267,545)
Dividend paid		-	(18,747,368)
Net cash used in financing activities		<u>(47,438,844)</u>	<u>(11,514,913)</u>
Net (decrease) / increase in cash and cash equivalents during the year		<u>(256,153,037)</u>	<u>213,002,482</u>
Cash and cash equivalents at the beginning of the year		342,818,048	129,815,565
Cash and cash equivalents at the end of the year	32	<u>86,665,011</u>	<u>342,818,048</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

  
**Chief Executive**

  
**Director**

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**FORTUNE SECURITIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Issued, subscribed and paid-up capital	Unrealized gain on available for sale investment	Revenue reserve Unappropriated profit	Capital reserve Revaluation Surplus	Total
	(Rupees)				
Balance as at July 01, 2016 - as previously reported	124,982,450	1,792,669	57,401,243	-	184,176,362
Impact of change in accounting policy - net of tax	-	-	-	31,608,360	31,608,360
<b>Balance as at July 01, 2016 - as restated</b>	<b>124,982,450</b>	<b>1,792,669</b>	<b>57,401,243</b>	<b>31,608,360</b>	<b>215,784,722</b>
Final dividend for the year ended June 30, 2016	-	-	(18,747,368)	-	(18,747,368)
Net Profit for the year June 30, 2017	-	-	52,763,843	-	52,763,843
Gain on initial recognition on interest free loan net of tax	-	-	201,741	-	201,741
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	3,070,836	(3,070,836)	-
Unrealised gain transfer from P&L on disposal of shares	-	(1,075,601)	-	-	(1,075,601)
Gain on remeasurement of investment held as 'Available for sale'	-	25,166,365	-	-	25,166,365
<b>Balance as at June 30, 2017 - as restated</b>	<b>124,982,450</b>	<b>25,883,433</b>	<b>94,690,295</b>	<b>28,537,524</b>	<b>274,093,702</b>
Effect of change in accounting policy	-	-	-	28,537,524	28,537,524
<b>Balance as at July 01, 2017</b>	<b>124,982,450</b>	<b>25,883,433</b>	<b>94,690,295</b>	<b>28,537,524</b>	<b>274,093,702</b>
Net Loss for the year June 30, 2018	-	-	(43,122,964)	-	(43,122,964)
Loss on settlement on interest free loan net of tax	-	-	(201,741)	-	(201,741)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	3,070,838	(3,070,838)	-
Gain on remeasurement of investment held as 'Available for sale'	-	-	(6,414,259)	-	(6,414,259)
	<b>124,982,450</b>	<b>25,883,433</b>	<b>48,022,169</b>	<b>25,466,686</b>	<b>224,354,738</b>

The annexed notes from 1 to 40 form an integral part of these financial statements.

  
**Chief Executive**

  
**Director**

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