Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

Russell Bedford

AUDITED FINANCIAL STATEMENTS OF FRIENDLY SECURITIES (PRIVATE) LIMITED FOR THE YEAR ENDED JUNE 30, 2019

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CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the members of Friendly Securities (Private) Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **Friendly Securities (Private) Limited** ('the Company'), which comprise the statement of financial position as at **June 30, 2019**, 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 ('the financial statements'), 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, 2019 and of the loss, total 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.

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.

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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.

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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) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980);

e) the Company was in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licencing and Operations) Regulations, 2016 as at the date on which the statement of financial position was prepared.

The engagement partner on the audit resulting in this independent auditor's report is **Mr. Muhammad Rafiq Dosani.**

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Karachi

Date: 01 OCT 2019

FRIENDLY SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019	(Restated) 2018
		Rupees	
ASSETS			
Non-current assets			
Property and equipment	5	**522,674**	556,651
Intangible assets	6	**2,750,000**	2,750,000
Long term investment	7	**-**	21,353,582
Long term deposits	8	**4,854,300**	4,854,300
		8,126,974	29,514,533
Current assets			
Trade debts	9	**7,340,429**	73,455,055
Short term investments	10	**77,674,012**	124,683,364
Taxation-net	11	**8,336,360**	5,928,724
Advances, deposits and other receivables	12	**1,017,253**	29,764,526
Cash and bank balances	13	**3,664,141**	6,244,052
		98,032,195	240,075,721
Total assets		**106,159,169**	269,590,254
EQUITY AND LIABILITIES			
Capital and reserves			
Authorized capital			
7,500,000 (2018: 7,500,000) ordinary shares of Rs. 10/ each		**75,000,000**	75,000,000
Issued, subscribed and paid up capital			
7,500,000 (2018: 7,500,000) ordinary shares of Rs. 10/ each fully paid in cash	14	**75,000,000**	75,000,000
Unappropriated profit		**21,883,705**	48,722,519
Surplus on remeasurement of investments		**-**	18,413,564
		96,883,705	142,136,083
Current liabilities			
Trade and other payables	15	**4,411,957**	8,878,578
Accrued markup		**2,568,372**	2,239,376
Short term borrowing	16	**2,295,135**	116,336,217
		9,275,464	127,454,171
Contingencies and commitments	17	**-**	-
Total equities and liabilities		**106,159,169**	269,590,254

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

FRIENDLY SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	(Restated) 2018
		Rupees	
Operating revenue	18	**19,619,565**	28,719,559
Capital (loss) / gain on disposal of investments	19	**(26,992,115)**	5,106,696
Net unrealized loss on remeasurement of short term investments to fair value		**(19,047,582)**	(8,202,700)
		(46,039,697)	(3,096,004)
		(26,420,132)	25,623,555
Administrative expenses	20	**(12,530,373)**	(11,679,984)
Operating (loss) / income		**(38,950,505)**	13,943,571
Finance cost	21	**(7,903,431)**	(5,943,205)
Other income	22	**2,655,485**	2,326,818
Impairment of TREC		-	(1,585,425)
(Loss) / profit before taxation		**(44,198,451)**	8,741,759
Taxation	23	**(1,053,927)**	(6,705,096)
(Loss) / profit after taxation		**(45,252,378)**	2,036,663

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

FRIENDLY SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019	(Restated) 2018
	Rupees	
(Loss) / profit after taxation	**(45,252,378)**	2,036,663
Other comprehensive loss		
Items that will not be subsequently be reclassified to profit or loss		
Unrealized loss on remeasurement of long term investment	-	(6,411,480)
Total comprehensive loss for the year	**(45,252,378)**	(4,374,817)

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

FRIENDLY SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	(Restated) 2018
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		**(44,198,451)**	8,741,759
Adjustment for:			
- Depreciation		**128,027**	173,919
- Net unrealized loss on remeasurement of investments		**45,372,107**	3,096,004
- Impairment loss on TREC		-	1,585,425
- Bad debts written off		-	230,013
- Finance cost		**7,903,431**	5,943,205
		53,403,565	11,028,566
		9,205,114	19,770,325
Changes in working capital			
(Increase) / decrease in current assets			
- Trade debts		**66,114,626**	(35,261,942)
- Advances, deposits and other receivables		**28,747,273**	4,650,080
		94,861,899	(30,611,862)
Increase /(decrease) in current liabilities			
- Trade and other payables		**(4,466,621)**	(4,886,241)
Cash generated from / (used in) operations		**99,600,392**	(15,727,778)
Finance cost paid		**(7,574,435)**	(3,723,410)
Income tax paid		**(3,461,564)**	(6,372,621)
Net cash generated from / (used in) operating activities		**88,564,393**	(25,823,809)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property & equipment		**(94,050)**	(141,350)
Purchase / sale of investments - net		**22,990,827**	(114,379,930)
Long term deposits		-	(323,907)
Net cash generated from / (used in) investing activities		**22,896,777**	(114,845,187)
Net increase / (decrease) in cash and cash equivalents		**111,461,170**	(140,668,996)
Cash and cash equivalents at beginning of the year		**(110,092,165)**	30,576,831
Cash and cash equivalents at end of the year	24	**1,369,006**	(110,092,165)

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

FRIENDLY SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	Issued, subscribed & paid up capital	Unappropriated profit	Surplus on remeasurement of investments	Total
	----------	---------- Rupees	----------	----------
Balance as at July 01, 2017	75,000,000	34,712,707	36,798,193	146,510,900
Total comprehensive loss for the year ended June 30,2018				
- Profit after taxation (restated)	-	2,036,663	-	2,036,663
- Other comprehensive loss (restated)	-	-	(6,411,480)	(6,411,480)
	-	2,036,663	(6,411,480)	(4,374,817)
Reclassification of surplus on investment upon reclassification of long term investment to short term investment	-	11,973,149	(11,973,149)	-
Balance as at June 30, 2018 (restated)	75,000,000	48,722,519	18,413,564	142,136,083
Balance as at July 01, 2018 (restated)	**75,000,000**	**48,722,519**	**18,413,564**	**142,136,083**
Total comprehensive loss for the year ended June 30,2019				
- Loss after taxation	-	**(45,252,378)**	-	**(45,252,378)**
- Other comprehensive loss	-	-	-	-
	-	**(45,252,378)**	-	**(45,252,378)**
Reclassification of surplus on investment upon reclassification of long term investment to short term investment	-	**18,413,564**	**(18,413,564)**	-
Balance as at June 30, 2019	**75,000,000**	**21,883,705**	-	**96,883,705**

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

FRIENDLY SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1 STATUS AND ACTIVITIES

Friendly Securities (Private) Limited ('the Company') was incorporated as a private limited company in Pakistan on 20 November 2000 under the Companies Ordinance, 1984 (now superseded by the Companies Act, 2017 which was enacted in May, 2017). The Company is a corporate member of Pakistan Stock Exchange. The principal business of the Company is investments and trading of securities. The registered office of the company is located at Room No. 128-129, 3rd Floor, Pakistan Stock Exchange Building. The Company has also acquired the membership of Pakistan Mercantile Exchange Limited.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of such International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 (the Act), and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for investments in quoted equity securities which are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak 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 accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are involved or where judgment was exercised in application of accounting policies are as follows:

- Provision for taxation.
- Provision for impairment of trade debt

2.5 New accounting pronouncements

2.5.1 Amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2019

During the year, certain new accounting and reporting standards / amendments / interpretations became effective and applicable to the Company. However, since such updates (except for those disclosed in note 3 to these financial statements) were not considered to be relevant to the Company's financial reporting, the same have not been disclosed here.

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2.5.2 **Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

The following accounting and financial reporting standards as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for the reporting periods beginning on or after the dates specified below:

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The amendments are not likely to have an impact on the Company's financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The management is in the process of analysing the potential impacts on adoption of this interpretation.

- Amendment to IFRS 9 'Financial Instruments' - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or fair value through other Comprehensive Income, IFRS 9 requires its contractual cash flows to meet the SPPI criterion - i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of this amendment is not likely to have an impact on the Company's financial statements.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect entities that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying examples state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of the amendments is not likely to have an impact on the Company's financial statements.

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The application of the amendments is not likely to have an impact on the Company's financial statements.

- Amendment to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' - the amendment aims to clarify the accounting treatment when an entity increases its interest in a joint operation that meets the definition of a business. An entity remeasures its previously held interest in a joint operation when it obtains control of the business. An entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 'Income Taxes' - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 Borrowing Costs - the amendment clarifies that an entity treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective for annual periods beginning on or after January 01, 2019 and are not likely to have an impact on the Company's financial statements.

3 INITIAL APPLICATION OF IFRS 9 AND IFRS 15

With effect from July 01, 2018, the Company has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. Following is the analysis as to whether and, if so, how the adoption of these new standards has an impact on the financial statements.

3.1 IFRS 15 'Revenue from Contracts with Customers'

On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and the number of revenue related interpretations.

The Company contracts with customers for the services of trading of listed securities which generally include a single performance obligation (i.e. to buy or sell listed securities on behalf of the customers). The management has concluded that commission revenue from trading services be recognised at the point in time when the aforesaid performance obligation is satisfied (i.e. when the transaction is settled at the clearing house). Broker's bills are also generated at that point in time. The above is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 which replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations, did not have an impact on the timing and amount of revenue recognition.

3.2 IFRS 9 'Financial Instruments'

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

i) *Classification and measurement of financial assets and financial liabilities*

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available-for-sale. IFRS 9 classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost

The accounting policies that apply to financial instruments are stated in note 4.4 to the financial statements.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at July 01, 2018:

As at June 30, 2018	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount	New carrying amount
			-------- Rupees --------	
Long term Investemnt	Available-for-sale	*At FVOCI	21,353,582	21,353,582
Short term investments	Held for trading	**At FVTPL	124,683,364	124,683,364
Long term deposits	Loans and receivables	At amortized cost	4,854,300	4,854,300
Trade debts	Loans and receivables	At amortized cost	73,455,055	73,455,055
Advances, deposits and other receivables	Loans and receivables	At amortized cost	29,764,526	29,764,526
Total financial assets			254,110,827	254,110,827

* At fair value through other comprehensive income

**At fair value through profit or loss

Though upon initial application of IFRS 9, the classification of financial assets changed as aforesaid, the said change had no impact on the carrying amount of those financial assets as on July 01, 2018 (i.e. the date of initial application of IFRS 9).

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities.

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ii) *Impairment*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, financial asset measured at fair value through other comprehensive income, contract assets, lease receivables and trade receivables.

During the year, the Company has changed its accounting policy with respect to measurement of credit loss allowance on financial assets to bring it in line with the new impairment requirements of IFRS 9 as noted above. However, the said change in accounting policy has no impact on the financial position or financial performance of the Company. For the revised accounting policy, please refer note 4.4.3 to these financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting polices applied in the preparation of these financial statements are set out below. These polices have been consistently to all the years presented except as mentioned in note 3 above.

4.1 Property and equipment

Items of property 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 and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Subsequent costs are included in the carrying amount or recognised as separate asset, 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 derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the year in which they are incurred.

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

Depreciation is charged to statement of profit or loss using reducing balance method whereby the cost of the asset less its estimated residual value is written off over the estimated useful life. Depreciation on additions is charged from the day when asset is available for use till the date of disposal.

4.2 Intangible assets

An intangible asset is recognised as an asset if it is probable that the economic benefits attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

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This is stated at cost less impairment, if any. The carrying amount is reviewed at each reporting 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.

4.3 Impairment of non-financial assets

Assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sale and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

4.4 Financial assets

4.4.1 *Classification and initial measurement*

The Company classifies its financial assets in the following three categories:

(a) financial assets measured at amortized cost.
(b) fair value through other comprehensive income (FVOCI);
(c) fair value through profit or loss (FVTPL); and

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it is held within business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

(b) Financial assets at FVOCI

A financial asset is classified as at fair value through other comprehensive income when either:

(a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; or

(b) it is an investment in equity instrument which is designated as at fair value through other comprehensive income in accordance with the irrevocable election available to the Company to at initial recognition.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

(c) Financial assets at FVTPL

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, as aforesaid.

Such financial assets are initially measured at fair value.

4.4.2 *Subsequent measurement*

(a) Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost (determined using the effective interest method) less accumulated impairment losses.

Interest / markup income, foreign exchange gains and losses and impairment losses arising from such financial assets are recognized in the statement of profit or loss.

(b) Financial assets at FVOCI

These are subsequently measured at fair value less accumulated impairment losses.

A gain or loss on a financial asset measured at fair value through other comprehensive income in accordance is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (except for investments in equity instruments which are designated as at fair value through other comprehensive income in whose case the cumulative gain or loss previously recognized in other comprehensive income is not so reclassified). Interest is calculated using the effective interest method and is recognised in profit or loss.

(c) Financial assets at FVTPL

These assets are subsequently measured at fair value.

Net gains or losses arising from remeasurement of such financial assets as well as any interest income accruing thereon are recognized in the statement of profit or loss.

4.4.3 *Impairment*

The Company's financial assets that are subject to the impairment provisions of IFRS 9 include long term deposits, trade receivables and short term advances and deposits.

The Company applies the IFRS 9 'Simplified Approach' to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Company measures expected credit losses on trade receivables in a way that reflects an unbiased and probability-weighted amount, time value of money and reasonable and supportable information at the reporting date about the past events, current conditions and forecast of future economic conditions. The Company recognises in statement of profit or loss, as an impairment loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

4.4.4 *De-recognition*

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

4.5 Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

4.6 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or realise the asset and settle the liability simultaneously.

4.7 Trade debts

Trade debts are carried at their initial transaction price less the lifetime expected credit loss allowance.

4.8 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash in hand, balance with banks and bank overdrafts / short term borrowings, if any.

4.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

4.10 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.

4.11 Taxation

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

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 reporting date, and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is recognised 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 recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. 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.

4.12 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 reporting date and adjusted to reflect current best estimate.

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4.13 Revenue recognition

- Brokerage commission revenue is recognised at the point in time when the related performance obligation is satisfied i.e. when the transaction is settled at the clearing house.

- Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

- Dividends received from investments measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognized in profit or loss when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of a part of the cost of an investment. In this case, dividend is recognized in other comprehensive income if it relates to an investment measured at fair value through other comprehensive income.

4.14 Borrowing costs

Borrowing costs are recognised as an expense in the year in which they are incurred except where such costs are directly attributable to the acquisition or construction of qualifying asset in which such costs are capitalized as part of the cost of that asset.

5 PROPERTY AND EQUIPMENT

	Office and booths	Furniture & fixtures	Motor Vehicles	Office Equipment	Computers	Total
	Rupees					
As at July 01, 2017						
Cost	2,620,468	3,210,519	33,500	416,771	2,827,753	9,109,011
Accumulated depreciation	(2,620,468)	(3,143,155)	(17,206)	(306,785)	(2,432,177)	(8,519,791)
Net book value	-	67,364	16,294	109,986	395,576	589,220
Movement during the year ended June 30, 2018						
Additions / transfers during the year	-	-	-	-	141,350	141,350
Depreciation for the year	-	(10,105)	(3,259)	(16,498)	(144,057)	(173,919)
Closing net book value	-	57,259	13,035	93,488	392,869	556,651
As at June 30, 2018						
Cost	2,620,468	3,210,519	33,500	416,771	2,969,103	9,250,361
Accumulated depreciation	(2,620,468)	(3,153,260)	(20,465)	(323,283)	(2,576,234)	(8,693,710)
Net book value	-	57,259	13,035	93,488	392,869	556,651
Movement during the year ended June 30, 2019						
Opening net book value	-	57,259	13,035	93,488	392,869	556,651
Additions during the year	-	-	-	-	94,050	94,050
Depreciation for the year	-	(8,589)	(2,607)	(14,023)	(102,808)	(128,027)
Closing net book value	-	48,670	10,428	79,465	384,111	522,674
As at June 30, 2019						
Cost	2,620,468	3,210,519	33,500	416,771	3,063,153	9,344,411
Accumulated depreciation	(2,620,468)	(3,161,849)	(23,072)	(337,306)	(2,679,042)	(8,821,737)
Net book value	-	48,670	10,428	79,465	384,111	522,674
Rate of depreciation (p.a)	5%	15%	20%	15%	30%	

6 INTANGIBLE ASSETS

	Note	2019	2018
		Rupees	
Trading Rights Entitlement (TRE) Certificate			
Cost		**4,085,425**	4,085,425
Less: Accumulated impairment		**(1,585,425)**	(1,585,425)
	6.1	**2,500,000**	2,500,000
Pakistan Mercantile Exchange Limited	*6.2*	**250,000**	250,000
		2,750,000	2,750,000

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6.1 Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 ('the Act'), the Company has received a Trading Right Entitlement Certificate (TREC) in lieu of its membership card of PSX. This has been carried at cost less impairment.

6.2 This represents cost of membership card of Pakistan Mercantile Exchange Limited with indefinite useful life.

7 LONG TERM INVESTMENT

At fair value through other comprehensive income

2019	2018		Notes	2019	2018
------Number of shares------				------------ Rupees-------------	
-	1,081,194	Ordinary shares of PSX (at cost)		-	2,940,018
		Surplus on remeasurment to fair value	7.2	-	18,413,564
				-	21,353,582

7.1 In August 2019, the above-mentioned ordinary shares were marked as un-freezed by the Central Depository Company of Pakistan Limited (CDC). Since subsequent to their un-freezing, the Company intends to dispose of the shares in due course of time, the investment had been re-classified as a short term investment as of June 30, 2019.

7.2 **Surplus on remeasurement of investment to fair value**	**2019**	2018
	Rupees	
Opening balance	**18,413,564**	36,798,193
Reclassification of surplus from long term investment to short term investment	**(18,413,564)**	(11,973,149)
Decline in fair value recognized during the year	-	(6,411,480)
Closing balance	-	18,413,564

8 LONG TERM DEPOSIT

Pakistan Stock Exchange Limited-Basic Deposit	**200,000**	200,000
Central Depository Company-Basic Deposit	**100,000**	100,000
Pakistan Mercantile Exchange Limited-Basic deposit	**750,000**	750,000
National Clearing Company Pakistan Limited-Basic Deposit	**300,000**	300,000
NCCPL Future Basic Deposit	**1,000,000**	1,000,000
Pakistan Merchantile Exchange Limited-Office deposit	**2,500,000**	2,500,000
Warid Telecom-Telephone	**2,300**	2,300
Pakistan Beverage Limited-Deposit for supplies of water	**2,000**	2,000
	4,854,300	4,854,300

9 TRADE DEBTS

Trade debts - secured and considered good	**7,340,429**	73,455,055

9.1 This includes receivable from related parties amounting to Rs.7.22 million (2018: Rs. 69.86 million).

9.2 The Company holds equity securities with fair value amounting to Rs.7.21 million (2018: Rs. 168.22 million) as collateral against receivables under ready market.

10 **SHORT TERM INVESTMENTS**	**2019**	2018
- At fair value through profit and loss	**Rupees**	
Quoted equity securities		
Cost of investments	**74,537,581**	120,912,915
Surplus on remeasurement of investments	**3,136,431**	3,770,449
	77,674,012	124,683,364

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		2019	2018
		Rupees	
10.1	**Surplus on remeasurement of investments**		
	Opening balance	**3,770,449**	-
	Reclassification of surplus from long term investment to short term investment	**18,413,564**	11,973,149
	Loss / (Gain) realized on disposal shown separately in statement of profit or loss	**26,324,525**	(5,106,696)
	Deficit on remeasurement to fair value recognised during the year in profit or loss	**(45,372,107)**	(3,096,004)
		(19,047,582)	(8,202,700)
		3,136,431	3,770,449

10.2 Fair value of securities pledged with bank, PSX and NCCPL was as follows:

	2019		2018	
	No of shares pledged	**Value of shares pledged Rupees**	No of shares pledged	Value of shares pledged Rupees
Pledged with banks				
Clients	213,080	12,371,677	2,123,800	154,043,797
Brokerage house	575,300	37,224,068	1,045,900	111,565,282
Pledge with PSX / NCCPL				
Clients	205,500	2,786,185	1,847,100	32,386,312
Brokerage house	498,000	9,782,580	35,000	5,914,300

		2019	2018
		Rupees	
11	**TAXATION-NET**		
	Opening balance	**5,928,724**	6,261,199
	Tax deducted at source during the year	**3,461,563**	6,372,621
	Less: Prior year change	-	22,181
	Less: Provision for taxation for the year	**(1,053,927)**	(6,727,277)
		8,336,360	5,928,724
12	**ADVANCE, DEPOSITS AND OTHER RECEIVABLES**		
	Advance to staff	-	8,000
	Deposits		
	Deposit with PSX against Base Minimum Capital	**500,000**	-
	Margin deposit with NCCPL against future market	**235,147**	19,200,001
		735,147	19,200,001
	Receivables		
	Receivable from NCCPL against profit held on futures market deals	**282,106**	10,556,525
		1,017,253	29,764,526

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13	CASH AND BANK BALANCES	Note	2019	2018
			Rupees	
	Cash in hand		**5,000**	5,000
	Cash at bank	13.1	**3,659,141**	6,239,052
			3,664,141	6,244,052

13.1 This includes a balance of Rs.3.60 million (2018: Rs. 6.16 million) held in a separate bank account designated to clients.

14 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

14.1 There is no agreement for voting rights, board selection, rights of first refusal and block voting with shareholders.

14.2 As of reporting date, the pattern of shareholding was as follows:

	2019		2018	
Name of shareholder	**Shares held**	**% of holding**	Shares held	% of holding
Mr.Tariq Janoo	**4,927,900**	**65.71%**	4,927,900	61.16%
Mrs.Shehla Tariq	**2,571,000**	**34.28%**	2,571,000	34.28%
Mr.Jawad Janoo	**750**	**0.01%**	1,000	0.01%
	7,500,000	**100%**	7,500,000	95%

15	TRADE AND OTHER PAYABLES	2019	2018
		Rupees	
	Creditors	**3,777,716**	7,772,131
	Accrued expenses	**634,241**	1,106,447
		4,411,957	8,878,578

16 SHORT TERM BORROWING

This represents the short term running finance facility obtained M/s. JS Bank Limited under mark up arrangement with limit of Rs. 200 million (2018: Rs. 100 million) for the purpose of clearing and obligation of clients' trades. Mark up payable is charge at 1-Month KIBOR + 2% (2018: 3 1-Month KIBOR + 2%). The arrangement is secured against personal guarantee of all directors and charge over the pledged shares amounting to Rs. 334 million.

17 CONTINGENCIES AND COMMITMENTS

No contingencies and commitments were known to exist at the reporting date (2018: None).

18	OPERATING REVENUE	2019	2018
		Rupees	
	Commission income	**22,726,706**	47,391,841
	Less: Commission expense	**(7,116,509)**	(19,089,380)
		15,610,197	28,302,461
	Dividend income	**4,008,962**	360,621
	Subscription commission income	**406**	56,477
		19,619,565	28,719,559

19 CAPITAL (LOSS) / GAIN ON DISPOSAL OF INVESTMENTS

Capital (loss)/gain on ready market	**(26,324,525)**	5,106,696
Capital loss on future market	**(667,590)**	-
	(26,992,115)	5,106,696

20 ADMINISTRATIVE EXPENSES

	Note	2019	2018
		Rupees	
Salaries, allowances and other benefits		2,670,082	2,694,484
Remuneration of Chief Executive and Directors	20.1	2,400,000	1,200,000
PSX rent, electricity and service charges		2,873,149	3,106,113
Printing and stationery		54,245	74,085
Fees and subscription		311,676	453,991
Software expenses		219,280	147,260
Traveling and conveyance expenses		26,870	39,050
Audit fees		250,000	250,000
Entertainment expense		116,106	81,586
Repair and maintenance		30,250	2,368,000
Bad debts written off		-	230,013
Depreciation		128,027	173,919
Miscellaneous expense		3,450,688	861,483
		12,530,373	11,679,984

20.1 Remuneration of Chief Executive and Directors

	Chief Executive		Directors		Total	
	2019	2018	2019	2018	2019	2018
	Rupees					
Managerial remuneration	1,200,000	600,000	1,200,000	600,000	2,400,000	1,200,000
Number of persons	1	1	1	1		

21 FINANCE COST

	2019	2018
	Rupees	
Markup on short term borrowing	7,607,091	5,509,840
Bank charges and commission	296,340	433,365
	7,903,431	5,943,205

22 OTHER INCOME

	2019	2018
Profit on cash margin	1,222,456	771,295
CDC transaction / custodian fee	995,210	1,505,661
Profit on PLS account	437,819	49,862
	2,655,485	2,326,818

23 TAXATION

	2019	2018
Current	1,053,927	6,727,277
Prior	-	(22,181)
	1,053,927	6,705,096

23.1 Relationship of tax expense with accounting (loss) / profit

	2019	2018
Accounting (loss) / profit before tax	(44,198,451)	8,741,759
Tax at applicable rate 29% (2018: 30%)	(12,817,551)	2,622,528
Tax effect of income taxed under presumptive tax regime	14,432,731	4,104,749
Tax effect of income taxed at lower rate	(561,253)	-
Effect of prior tax	-	(22,181)
	1,053,927	6,705,096

23.2 The income tax assessments of the Company have been finalised up to and including the tax year 2018. Tax returns are deemed to be assessed under provisions of the Income Tax Ordinance, 2001 unless selected for re-assessment by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select a deemed assessment order for the purpose of issuing an amended assessment order.

24 CASH AND CASH EQUIVALENTS

As at the reporting date , cash and cash equivalents comprise as follows:

	Note	2019	2018
		Rupees	
Cash and bank balances	13	**3,664,141**	6,244,052
Short term borrowing	16	**(2,295,135)**	(116,336,217)
		1,369,006	(110,092,165)

25 RELATED PARTY TRANSACTIONS

Related parties comprise of directors, key management personnel and their close family members. Remuneration to key management personnel are in accordance with their terms of employment.

Details of transactions entered into and balances held with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Key management personnel and close family members	2019	2018
	Rupees	
Receivable from director- Ms.Shehla Tariq		
Outstanding at year end	7,220,536	69,855,577

The Company did not charge any commission from Ms.Shela Tariq on trades carried out through the Company.

26 FINANCIAL INSTRUMENTS

26.1 Financial instruments by category

	2019	2018
Financial assets		
At fair value through other comprehensive income		
Long term investment	-	21,353,582
At fair value through profit and loss		
Short term investments	**77,674,012**	124,683,364
At amortized cost		
Long term deposits	**4,854,300**	4,854,300
Trade debts	**7,340,429**	73,455,055
Advances, deposits and other receivables	**1,017,253**	29,764,526
Cash and bank balances	**3,664,141**	6,244,052
	16,876,123	114,317,933
	94,550,135	260,354,879
Financial liabilities		
At amortised cost		
Trade and other payables	**4,411,957**	8,878,578
Accrued markup	**2,568,372**	2,239,376
Short term borrowing	**2,295,135**	116,336,217
	9,275,464	127,454,171

26.2 Financial risk analysis and management

The Company is exposed to a variety of financial risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

The Board of Directors has the overall responsibility for the establishment and oversight of Company's risk management framework. All related transactions are carried out within the parameters of these policies.

Market risk

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

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As of the reporting date, the Company was not exposed to any foreign currency risk as all its transactions were carried out in Pak Rupees.

ii) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market.

As of the reporting date, the Company was exposed to equity price risk since, as of that date (i) it had investments in quoted equity securities and (ii) it held collaterals in the form of equity shares in respect of trade receivables from clients. The Company manages the equity price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies which includes disposing of owned equity instruments and securities held as collateral before it led the Company to incur significant mark-to-market and credit losses.

Market prices are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, the amount realized on sale of a particular security may be affected by the relative quantity of the security being sold.

Sensitivity analysis

The table below summarizes the Company's equity price risk as of June 30, 2019 and June 30, 2018 and shows the effects of a hypothetical 5% increase and a 5% decrease in market prices as at the reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Company's equity investment portfolio.

	Fair value	Hypothetical price change	Hypothetical increase / (decrease) in equity
	(Rupees)		(Rupees)
June 30, 2019	**77,674,012**	**5% change**	**3,883,701**
June 30, 2018	146,036,946	5% change	7,301,847

(iii) Interest rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

At reporting date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2019	2018	2019	2018
	----------Effective interest rate (%)---------		---Carrying amount (Rs.)----	
Financial liabilities				
Short term borrowing	*3-Month KIBOR plus 2%*	*3-Month KIBOR plus 2%*	**2,295,135**	116,336,217

Sensitivity analysis

Fair value sensitivity

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not affect fair value of any financial instrument.

Cash flow sensitivity

The following information summarizes the estimated effects of hypothetical increases and decreases in interest rates on cash flows from financial assets and financial liabilities that are subject to interest rate risk. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. The hypothetical changes in market rates do not reflect what could be deemed best or worst case scenarios. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Effect on profit or loss	
	100 bps Increase	100 bps Decrease
As at June 30, 2019	**22,951**	**(22,951)**
As at June 30, 2018	1,163,362	1,163,362

b) **Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, possibility of default by investors, and or failure of the financial markets, depositors, settlements or clearing system etc.

Exposure to credit risk

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, advances, deposits 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.

A financial asset is regarded as credit impaired as and when it falls under the definition of a 'defaulted' financial asset. For the Company's internal credit management purposes, a financial asset is considered as defaulted when it is past due for 90 days or more.

The Company writes off a defaulted financial asset when there remains no reasonable probability of recovering the carrying amount of the asset through available means.

The carrying amount of financial assets represent the maximum credit exposure at the reporting date, which is detailed hereunder:

	Carrying amount	
	2019	2018
	---------Rupees----------	
Long term deposits	**4,854,300**	4,854,300
Trade debts	**7,340,429**	73,455,055
Advances, deposits and other receivables	**1,017,253**	29,764,526
Bank balances	**3,659,141**	6,239,052
	16,871,123	114,312,933

As of the reporting date, the risk profile of the trade receivables as of the reporting date is as follows:

	2019		2018	
	Gross Carrying amount	**Life time expected credit losses**	Gross Carrying amount	Life time expected credit losses
	-----------------------------(Rupees)-------------------------			
Past due 0-14 days	**96,017**	-	73,306,000	-
Past due 15-30 days	**280,876**	-	36,107	-
Past due 31-60 days	**1,934,720**	-	27,876	-
Past due 61-90 days	**1,383**	-	752	-
More than 90 days	**5,027,433**	-	84,320	-
	7,340,429	-	73,455,055	-

Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors considered good do not require any impairment owing to collateral held with the Company. None of the other financial assets are either past due or impaired.

c) **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:

	2019			
	Carrying amount	**Contractual cash flows**	**Up to one year**	**More than one year**
	--(Rupees)--			
Financial liabilities				
Trade and other payables	**4,411,957**	**4,411,957**	**4,411,957**	-
Accrued markup	**2,568,372**	**2,568,372**	**2,568,372**	
Short term borrowings	**2,295,135**	**2,295,135**	**2,295,135**	
	9,275,464	**9,275,464**	**9,275,464**	-

	2018			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
	--(Rupees)--			
Financial liabilities				
Trade and other payables	8,878,578	8,878,578	8,878,578	-
Accrued markup	2,239,376	2,239,376	2,239,376	
Short term borrowings	116,336,217	116,336,217	116,336,217	
	127,454,171	127,454,171	127,454,171	-

26.3 **Fair value hierarchy**

The Company measures the fair value of its investments in equity instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 — inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the reporting dates the fair value hierarchy of the Company's financial assets measured at fair value was as follows:

June 30, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	Rupees			
Long term investment	-	-	-	-
Short term investments	**77,674,012**	-	-	**77,674,012**
	77,674,012	-	-	**77,674,012**

June 30, 2018	Level 1	Level 2	Level 3	Total
	Rupees			
Long term investment	21,353,582	-	-	21,353,582
Short term investments	124,683,364	-	-	124,683,364
	146,036,946	-	-	146,036,946

27 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders.

Net capital and Liquid capital requirements of the Company are set and regulated by Pakistan Stock Exchange Limited. These requirements are put in place to ensure sufficient solvency margins and are based on excess of current assets over current liabilities.

Total capital managed by the Company comprises of the following:

	2019	2018
	Rupees	
Issued, subscribed and paid up capital	**75,000,000**	75,000,000
Unappropriated profit	**21,883,705**	48,722,519
	96,883,705	123,722,519

28 CAPITAL ADEQUACY LEVEL

The Capital Adequacy Level as required by CDC is calculated as follows;

	Note	**2019**	2018
		Rupees	
Total assets	*28.1*	**106,159,169**	269,590,254
Total liabilities		**(9,275,464)**	(127,454,171)
Revaluation reserve (created upon revaluation of fixed assets)		**-**	-
Capital Adequacy Level		**96,883,705**	142,136,083

28.1 While determining the value of the total assets, notional value of the TRE Certificate as at June 30, 2019 as determined by Pakistan Stock Exchange has been considered.

29 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation. Reclassifications made in the financial statements are as follows :

Reclassification from component	**Reclassification to component**	**Rupees**
Advance tax (Advance, deposits and other receivable)	Tax refund due from government	5,928,724
PSX deposits and receivable (Advances, deposits and other receivables)	Margin deposit with NCCPL against future market (Advances, deposits and other receivables)	19,200,001
PSX deposits and receivable (Advances, deposits and other receivables)	Receivable from NCCPL against profit held on futures market deals (Advances, deposits and other receivables)	10,556,525
General expense (Administrative expense)	Miscellaneous expense (Administrative expense)	75,487

30 NUMBER OF EMPLOYEES

	2019	2018
	Number	
Number of employees	7	8
Average Number of employees	7	8

31 CORRECTION OF PRIOR PERIOD ERROR

According to the International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement' (now supersede by IFRS 9 'Financial Instruments'), a financial asset was classified as 'held for trading' when either: (i) it was acquired principally for the purpose of selling it in the near time; (ii) on initial recognition it was part of a portfolio of identified financial instruments that were managed together and for which there was evidence of a recent actual pattern of short-term profit-taking; or (iii) it was a derivative.

Since financial year 2018-2019, the Company has been holding investments in listed equity securities (i.e. ordinary shares of listed companies). Since these investments were acquired principally for the purpose of selling them in near future, these should have been carried as 'held for trading' investments with their corresponding fair value changes (i.e. the unrealized gain / loss arising from re-measurement of such investments to fair value at each previous reporting date) recognized in profit or loss. However, contrary to this, the investments had, inadvertently, been carried as 'available-for-sale' investments and the related fair value changes had regularly been credited to other comprehensive income and accumulated in equity under the head 'surplus on remeasurement of investments'.

In these financial statements, the above error has been rectified retrospectively in accordance with the requirements of IAS 8 *'Accounting Policies, Changes in Accounting Estimates and Errors'*, and the corresponding figures have been restated. However, since these restatements had no effect on the statement of financial position as at the beginning of the earliest period presented (i.e. as of June 30, 2017), the same has not been presented in these financial statements.

The retrospective correction of the aforesaid error has its effects on the corresponding figures presented in these financial statements as follows:

Effects on the statement of financial position

	Unappropriated profits	Surplus on re-measurement of 'available-for-sale' investments
	Rupees	
Balance as at June 30, 2018 (as previously reported)	44,952,070	22,184,013
Effect of restatement as on June 30, 2018		
Reclassification of surplus on re-measurement of investments to fair value	3,770,449	(3,770,449)
Balance as at June 30, 2018 (as restated)	48,722,519	18,413,564

Effects on comprehensive income for the year ended June 30, 2018

	Rupees
Effects on profit or loss	
Recognition of change in unrealized gain on remeasurement of short term investments	(8,202,700)
Decrease in profit before and after taxation	(8,202,700)
Effects on other comprehensive income	
Decrease in unrealized loss on remeaurement of short term investments	8,202,700
Decrease in other comprehensive loss	8,202,700
Net effect on total comprehensive loss	-

32 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 01 OCT 2019.

33 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR