REANDA
Reanda Haroon Zakaria & Company
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DAWOOD MOHAMMED SECURITIES (PRIVATE) LIMITED
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **Dawood Mohammed Securities (Private) Limited** which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, statement of other 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, 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, statement of 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.

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.

Room No. M1-M4, Mezzanine Floor, Progressive Plaza, Plot No. 5-CL-10,
Civil Lines Quarter,Beaumont Road, Near Dawood Centre, Karachi-75530 Pakistan.
Phone: +92 21 35674741-44 | Fax: +92 21 35674745
Email: info@hzco.com.pk | URL: http://www.hzco.com.pk

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 skepticism 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.

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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 and, statement of other 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; and

e) the Company was in compliance with the requirement of section 78 of the Securities Act 2015 and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations 2016 as at the date on which the balance sheet was prepared.

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

Reanda Haroon Zakaria & Co

Reanda Haroon Zakaria & Company
Chartered Accountants

Place: Karachi
Dated: September 10, 2018

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DAWOOD MOHAMMED SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Non-Current Assets			
Property and equipment	4	**49,774**	55,305
Intangible asset	5	**3,500,000**	5,000,000
Long term investments	6	**21,353,582**	41,163,833
Long term deposits	7	**3,010,000**	12,510,000
Deferred tax asset	8	**-**	-
		27,913,356	58,729,138
Current Assets			
Short term investments	9	**10,339,380**	41,230
Tax refunds due from government	10	**44,549**	44,549
Other receivables	11	**283,133**	4,612,614
Bank balances	12	**68,821,556**	54,854,759
		79,488,618	59,553,152
Total Assets		**107,401,974**	118,282,290
EQUITY AND LIABILITY			
Share Capital and Reserve			
Authorized capital			
5,500,000 Ordinary shares of Rs.10 each		**55,000,000**	55,000,000
Issued, subscribed and paid-up capital			
5,400,000 Ordinary shares of Rs. 10 each	13	**54,000,000**	54,000,000
Reserves		**53,291,274**	64,155,990
Shareholders' equity		**107,291,274**	118,155,990
Current Liabilities			
Accrued liabilities		**110,700**	126,300
Total Equity and Liabilities		**107,401,974**	118,282,290

The annexed notes form an integral part of these financial statements

DAWOOD MOHAMMED SECURITIES (PVT) LTD. KARACHI 180

Chief Executive

Director

DAWOOD MOHAMMED SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Operating revenue	14	**3,293,698**	1,049,255
Capital gain on investment - net		**-**	43,279,729
Unrealized (loss) / gain on investment		**(6,590)**	1,780
		3,287,108	44,330,764
Operating and administrative expenses	15	**(1,391,908)**	(1,409,162)
Other charges	16	**(2,810,700)**	(126,300)
(Loss) / profit before taxation		**(915,500)**	42,795,302
Taxation	17	**(443,705)**	(115,965)
(Loss) / profit after taxation		**(1,359,205)**	42,679,337

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

Chief Executive

Director

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DAWOOD MOHAMMED SECURITIES (PRIVATE) LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
(Loss) / Profit for the year	**(1,359,205)**	42,679,337
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss account		
(Loss)/ Gain on re-measurement of investment available for sale	**(9,505,511)**	25,134,303
Total comprehensive (loss) / profit for the year	**(10,864,716)**	67,813,640

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

DAWOOD MOHAMMED SECURITIES (PVT) LTD. KARACHI 180

Chief Executive

Director

DAWOOD MOHAMMED SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

Description	Issued, subscribed & paid up capital	Reserves			Total
		Accumulated (loss) / profit	Gain on remeasurement of available for sale investment	Total Reserves	
	---------- Rupees ----------				
Balance as at June 30, 2016	**54,000,000**	**(3,657,650)**	**-**	**(3,657,650)**	**50,342,350**
Profit for the year	-	42,679,337	-	42,679,337	42,679,337
Other comprehensive income	-	-	25,134,303	25,134,303	25,134,303
Balance as at June 30, 2017	**54,000,000**	**39,021,687**	**25,134,303**	**64,155,990**	**118,155,990**
Loss for the year	-	(1,359,205)	-	(1,359,205)	(1,359,205)
Other comprehensive expense	-	-	(9,505,511)	(9,505,511)	(9,505,511)
Balance as at June 30, 2018	**54,000,000**	**37,662,482**	**15,628,792**	**53,291,274**	**107,291,274**

The annexed notes form an integral part of these financial statements

DAWOOD MOHAMMED SECURITIES (PVT.) LTD. ★ KARACHI 180

Chief Executive

Director

DAWOOD MOHAMMED SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	**(915,500)**	42,795,302
Adjustment for:		
Depreciation	**5,530**	6,145
Capital gain on disposal of securities	**-**	(43,279,729)
Impairment of trading right entitlement certificate	**2,500,000**	-
Unrealized loss on investment	**6,590**	-
Profit / (Loss) before working capital changes	**1,596,620**	(478,282)
Changes in Working Capital:		
Decrease / (Increase) in current assets		
Other receivable	**4,329,482**	(4,601,772)
(Decrease) / Increase in current liabilities		
Accrued expenses	**(15,600)**	51,300
	4,313,882	(4,550,472)
Cash generated from / (used in) operations	**5,910,502**	(5,028,754)
Long term deposits paid	**9,500,000**	(11,995,191)
Taxes paid	**(443,705)**	(116,329)
Net cash generated from / (used in) operating activities	**14,966,797**	(17,140,274)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Investments - net	-	67,322,249
Purchase of Membership card of PEMEX	**(1,000,000)**	-
Net cash (used in)/ generated from investing activities	**(1,000,000)**	67,322,249
Net increase in cash and cash equivalents	**13,966,797**	50,181,975
Cash and cash equivalents at the beginning of the year	**54,854,759**	4,672,784
Cash and cash equivalents at the end of the year	**68,821,556**	54,854,759

The annexed notes form an integral part of these financial statements

DAWOOD MOHAMMED SECURITIES (PVT) LTD. KARACHI 180

Chief Executive

Director

1 STATUS AND NATURE OF BUSINESS

Dawood Mohammed Securities (Private) Limited (the Company) was incorporated in Pakistan on April 12, 2013 as a single member private limited company under the Companies Ordinance, 1984 (the Ordinance). The principal objects of the Company include share brokerage, money market transactions, consultancy services, underwriting etc. The registered office and principal place of business is located at Pakistan Stock Exchange Building, Stock Exchange Road, Karachi.

1.1 Significant transactions and events affecting the company's financial position and performance

Due to the applicability of Companies Act, 2017 certain disclosures of the financial statements have been presented in accordance with the fifth schedule notified by the Securities and Exchange commission of Pakistan vide S.R.O 1169 dated November 7, 2017.

The financial statements include disclosure requirements of the Securities Brokers (Licensing and Operations) Regulations, 2016 as notified by the Securities and Exchange Commission of Pakistan vide S.R.O 569(I) / 2016 dated June 24, 2016.

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 as applicable in Pakistan comprise of:

- International Financial reporting standards (IFRS standards) issued by International Accounting standards Board (IASB) as notified under Companies Act 2017; and
- Provisions of and directives issued under the companies Act, 2017.

Where provisions of and directive issued under the Act differ from IFRS standards, the provisions of and directives issued under the Act have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except otherwise disclosed in these financial statements. Further, accrual basis of accounting is followed except for cash flow information.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Company and rounded off to the nearest rupee.

2.4 Significant accounting judgements,estimates and assumptions

The preparation of financial statements in conformity with approved accounting 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 the 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 recognised in the period in which the estimates are 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.

Judgments made by management in the application of approved accounting standard as, applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows: -

Property and equipment

The Company reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding affect on the depreciation charge and impairment.

Intangible assets

The Company reviews the rate of amortisation and value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortisation charge and impairment.

Trade debts

Management reviews its trade debtors on a continuous basis to identify receivables where collection of the amount is no longer probable. These estimates are based on historical experience and are subject to change in condition at the time of actual recovery.

Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and establish provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.5 Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

2.5.1 New standards

The Company has adopted the following revised standards and amendments of IFRSs which became effective for the current year:

IAS 7	-	Statement of Cash Flows - Disclosure initiative - (Amendment)
IAS 12	-	Income taxes - Recognition of Deferred tax Assets for unrealized losses (Amendments)

The adoption of the above revised standards, amendments and improvements does not have any material effect on these financial statements.

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

The following revised standards, amendments and improvements with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations:

Standard or Interpretation			***Effective date (annual periods beginning on or after)***
IFRS 2	-	Measurement of Share Based payments Transactions (Amendment)	01 January 2018
IFRS 9	-	Financial instruments	01 July 2018
IFRS 9	-	Prepayment Features with Negative Compensation - (Amendments)	01 January 2018
IFRS 10	-	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15	-	Revenue from Contracts with Customers	01 July 2018
IFRS 16	-	Leases	01 January 2019
IFRS 4	-	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts -	01 January 2018
IAS 40	-	Investment Property - Transfer of Investment Property (Amendments)	01 January 2018
IAS 19	-	Plan Ammendment, Curtailment or Settlement (Amendr	01 January 2019
IAS 28	-	Long term interests in Associates and Joint ventures (Amendments)	01 January 2019
IFRIC 22	-	Foreign Currency Transactions and Advance Considerat	01 January 2018
IFRIC 23	-	Uncertainty over Income Tax Treatment	01 January 2019

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application except for 'FRS 15 - Revenue from contracts with customers. The Company is currently evaluating the impact of the said standard.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

2.5.3 *Standard or Interpretation*			*Effective date (annual periods beginning on or after)*
IFRS 14	-	Regulatory Deferral Accounts	01 January 2016
IFRS 17	-	Insurance Contracts	01 January 2021

2.5.4 *Annual Improvements*

IFRS 5	-	Non Current Assets Held for Sale and Discontinued Operation - Changes in method of disposal.
IFRS 7	-	Financial Instruments: Disclosures - Servicing Contracts.
IFRS 7	-	Financial Instruments: Disclosures - Applicability of off-setting disclosure to condensed interim financial statements.
IAS 19	-	Employee Benefits - Discount rate: Regional market issue.
IAS 34	-	Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'.

The adoption of above amendments, improvements to accounting standards and interpretations does not have any material effect on the financial statements.

3 *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 *Property, equipment and depreciation thereon*

Owned

These are initially measured at cost. Subsequent to initial recognition these are measured at cost less accumulated depreciation and impairment loss if any.

Maintenance and normal repairs are charged to Profit or loss account as and when incurred while major improvements, if any, are capitalized. Gains and losses on disposal of assets are included in the profit and

The depreciation is charged to income applying reducing balance method at the rates specified in relevant note. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the disposal respectively.

The carrying values of tangible fixed assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Gain or loss on disposal of an asset is charged to profit and loss account.

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

3.2 *Capital work in progress*

Capital work-in-progress is stated at cost accumulated upto the balance sheet date less impairment if any. Transfer are made to relevant property, plant and equipment category as and when assets are available for their intended use.

3.3 *Intangible Assets*

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

Intangible assets having finite useful lives are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged from the date the asset is available for use while in the case of assets disposed of, it is charged till the date of disposal. The useful lives and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any. An intangible asset is regarded as having an indefinite useful life, when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which asset is expected to generate net cash inflows for the Company.

An intangible asset with an indefinite useful life is not amortized. However, the carrying amount is reviewed at each reporting date or whenever there is an indication that the asset may be impaired, to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds the estimated recoverable amount, it is written down to its estimated recoverable amount.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit and loss account when the asset is derecognized.

Trading Rights 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. Where the carrying amount exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

3.4 Financial instruments

3.4.1 Classification of Financial assets

The Company classifies its financial assets in the following categories: 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 the time of initial recognition.

a) 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.

b) 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.

c) 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. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized directly in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using 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 payment is established.

d) Held -to- maturity

Held -to- maturity financial assets are those with fixed or determinable payments and fixed maturity, where management has the positive intention and ability to hold till maturity. These are carried at

3.4.2 Investment in equity instruments of subsidiary companies

Investment in subsidiaries are accounted for at cost less any accumulated impairment losses. Dividend income from these investments is recognised in profit or loss and included in other income when the company's right to receive payment has been established.

3.4.3 Recognition and measurement of financial assets

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized at trade date i.e. the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. In case of available for sale financial assets, the change in fair value is recognised in other comprehensive income and in case of financial assets classified as fair value through profit and loss, the change is recognised in profit and loss account for the year.

The fair values of quoted investments are based on quoted prices. In case quoted prices are not available, the Company establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial Instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

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.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available for-sale financial assets, the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to profit and loss account as a reclassification adjustment. Impairment losses recognized in the profit and loss account on equity instruments classified as available-for-sale are not reversed through the profit and loss account.

3.4.4 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.

3.4.5 Offsetting of financial assets and financial liabilities

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

3.5 Advances, deposits, prepayments and other receivables

These are recognized at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is an indication that assets may be impaired. If such indication exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between the recoverable amount.

3.6 Trade debts

Trade debts originated by the company are recognized and carried at original invoice amount less provision for doubtful debt. An estimated provision is made when collection of the full amount no longer receivable. Bad debts are written off as and when identified.

3.7 Cash and cash equivalents

These include cash in hand and bank balances and are carried at cost.

3.8 Trade and other payables

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received up to the year end, whether or not billed to the Company.

3.9 Taxation

Current

Provision for current taxation is based on taxable income at the current rates for taxation after taking into account tax credit and rebates available, if any in accordance with the provision of income ordinance 2001. The charge for the current tax also includes adjustments where necessary , relating to prior years which arise from assesments framed/ finalized during the year.

Deferred

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax liabilities are recognized for taxable temporary differences ,while deferred tax assets are recognized for all deductible temporary differences , carry forward of un used tax losses and unused tax credit, to the extent that is probable that taxable profits will be available against which the deductible temporary differences carry forward of unused tax losses and unused tax credits can be utilized.

The carrying amount of all deferred tax assets, if arise, are reviewed at each balance sheet date and reduced to the extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Deferred tax assets and liabilities are recognised to the extent of income subject to normal taxation.

3.10 Provisions

A provision is recognized when The Company has an obligation (legal or constructive), as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.11 *Revenue recognition*

Gain/ (loss) from dealing in securities

Gain or loss on sale of marketable and unquoted securities are recognised in the year in which it arises.

Brokerage

Brokerage are recognized as and when services are provided.

Others

Dividend income is recognized when right to receive dividend is established.

Interest income is recognized on time proportion basis using effective interest rates.

Gain or loss from re-measurement of investment is recognized at year end.

3.12 *Expenses*

All expenses are recognized in the profit and loss account on accrual basis.

3.13 *Impairment*

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, 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. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.14 *Related party transactions*

All transactions with related parties are carried out by the Company at arms' length price using the admissible pricing method.

	Note	2018 Rupees	2017 Rupees

4 PROPERTY AND EQUIPMENT

Office furniture			
Net book value		**55,305**	61,450
Depreciation for the year		**(5,531)**	(6,145)
Net book value as at 30th June		**49,774**	55,305
Cost		**84,293**	84,293
Accumulated depreciation		**(34,519)**	(28,988)
Net book value as at 30th June		**49,774**	55,305
Rate of depreciation		**10%**	10%

5 *INTANGIBLE ASSET*

Entitlement certificates	5.1	**3,500,000**	5,000,000

5.1 *Membership card and trading right entitlement certificates*

Membership			
Pakistan Mercantile Exchange Limited		**1,000,000**	-
Trading Rights Entitlement Certificate (TREC)			
Pakistan Stock Exchange Limited		**2,500,000**	5,000,000
		3,500,000	5,000,000

6 *LONG TERM INVESTMENTS*

- Available for sale - at fair value - Quoted

2018 Number of Shares	2017 Number of Shares	Name of Securities	Note	2018 Rupees	2017 Rupees
1,081,194	1,602,953	Pakistan Stock Exchange Limited	6.1	**21,353,582**	41,163,833

6.1 Investment in shares of Pakistan Stock Exchange Limited is carried at the fair value. 1,081,194 shares of Pakistan Stock Exchange Limited are freezed in CDC account.

7 LONG TERM DEPOSIT

	2018 Rupees	2017 Rupees
Deposit with National Clearing Company of Pakistan Limited	**400,000**	400,000
Deposit with Central Depository Company Limited	**100,000**	100,000
Deposit with Pakistan Stock Exchange Limited	**10,000**	12,010,000
Deposit with NCEL Building Management Limited	**2,500,000**	-
	3,010,000	12,510,000

8 DEFERRED TAX

	2018 Rupees	2017 Rupees
Deferred tax assets	-	-

Deferred taxation comprises differences relating to:

Debit arise in respect of the following:		
Accelerated tax depreciation	**5,395**	5,371
Credit arise in respect of the following:		
Impairment of trading right entitlement certificate	**(2,250,000)**	(1,500,000)
Tax losses	**(393,871)**	(278,992)
Minimum tax impact	-	(99,442)
	(2,638,476)	(1,873,063)
Unrecognised deferred tax asset	**2,638,476**	1,873,063
	-	-

8.1 The deferred tax asset of Rs. 2.638 million (2017 Rs.1.873 million) has not been recognized owing to uncertainty regarding future profitability against which deferred tax asset/ liabilities could be set off.

9 SHORT TERM INVESTMENTS

- At fair value through profit or loss

2018 Number of Shares	2017 Number of Shares	Name of Securities	Note	2018 Rupees	2017 Rupees
1,000	1,000	Arif Habib Corporation Limited		**34,640**	41,230

- Available for sale - at fair value - Quoted

2018 Number of Shares	2017 Number of Shares	Name of Securities	Note	2018 Rupees	2017 Rupees
521,759	-	Pakistan Stock Exchange Limited	9.1	**10,304,740**	-
				10,339,380	41,230

9.1 These shares are reclassified as short term investment from long term investment during the year.

	2018 Rupees	2017 Rupees

10 TAX REFUNDS DUE FROM GOVERNMENT

	2018 Rupees	2017 Rupees
Opening tax liability / assets	**44,549**	44,185
Provision for the year	**(443,705)**	(115,965)
Taxes paid during the year	**443,705**	116,329
	44,549	44,549

10.1 Reconciliation between tax expense and accounting profit has not been made as the taxable income of the company is subject to final tax regime.

11 OTHER RECEIVABLES

- Considered good

	Note	2018 Rupees	2017 Rupees
Interest receivable		**283,133**	124,346
Chinese consortium		-	4,488,268
		283,133	4,612,614

12 BANK BALANCES

	Note	2018 Rupees	2017 Rupees
Current account		**32,129**	24,982
Deposit account	12.1	**68,789,427**	54,829,777
		68,821,556	54,854,759

12.1 Balance pertaining to

	2018 Rupees	2017 Rupees
- clients	**500**	500
- brokerage house	**68,788,927**	54,854,259
	68,789,427	54,854,759

12.2 Clients securities pledged

The total value of securities pertaining to clients are Rs. 136.94 million held in sub-accounts of the company, out of which, securities of Rs. 0.59 million are pledged by client.

13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018 Number of Shares	2017 Number of Shares		2018 Rupees	2017 Rupees
		Ordinary shares of Rs.10 each fully paid:		
392,617	392,617	In cash	**3,926,170**	3,926,170
1,000,000	1,000,000	Against trading right entitlement certificate	**10,000,000**	10,000,000
4,007,383	4,007,383	Against shares of Pakistan Stock Exchange Ltd.	**40,073,830**	40,073,830
5,400,000	5,400,000		**54,000,000**	54,000,000

	Note	2018 Rupees	2017 Rupees

14 OPERATING REVENUE

	Note	2018 Rupees	2017 Rupees
Equity brokerage income - retail		**175**	480
Dividend income		**403,739**	443,312
Bank profit		**2,889,784**	605,463
		3,293,698	1,049,255

15 OPERATING AND ADMINISTRATIVE EXPENSES

	Note	2018 Rupees	2017 Rupees
Salaries and other benefits		**890,500**	610,000
Utility expenses		**26,183**	14,387
Fees and subscription		**81,343**	59,335
Legal and professional charges		**210,360**	654,295
Entertainment expense		**153,992**	43,000
Travelling and conveyance		-	10,000
Office service charges		**24,000**	12,000
Depreciation	4	**5,530**	6,145
		1,391,908	1,409,162

16 OTHER CHARGES

	Note	2018 Rupees	2017 Rupees
Auditors' remuneration	16.1	**110,700**	126,300
Donation and Charity		**200,000**	-
Impairment of trading right entitlement certificate		**2,500,000**	-
		2,810,700	126,300

16.1 Auditors' remuneration

	2018 Rupees	2017 Rupees
Statutory audit fee	**75,000**	75,000
Other certification fee	**35,700**	51,300
	110,700	126,300

17 TAXATION

	2018 Rupees	2017 Rupees
Current	**443,705**	115,965

18 PATTERN OF SHAREHOLDINGS

Following are the shareholders having more than 5% holding as at June 30, 2018

Sr. No.	Name of Shareholder	Note	Percentage %	No. of Shares Held
1	Mohammad Dawood		**99.99%**	**5,399,999**

	2018 Rupees	2017 Rupees
19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES		
FINANCIAL ASSETS AND LIABILITIES		
Financial assets		
Long term deposits	**3,010,000**	12,510,000
Long term investments	**21,353,582**	41,163,833
Other receivables	**283,133**	4,612,614
Short term investments	**10,339,380**	41,230
Bank balances	**68,821,556**	54,854,759
Financial Liabilities		
Accrued liabilities	**110,700**	126,300

The Company's activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk and market risk (interest / mark-up rate risk and price risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

19.1 *Risk managed and measured by the Company are explained below: -*

a) Credit risk
b) Liquidity risk
c) Market Risk

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

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfill their obligations. There is a possibility of default by participants and of failure of the financial markets, the depositories, the settlements or clearing system etc.

The carrying amount of following financial assets represents the maximum credit exposure:

	2018	2017
	Rupees	Rupees
Long term investments	**21,353,582**	41,163,833
Long term deposits	**3,010,000**	12,510,000
Other receivables	**283,133**	4,612,614
Short term investments	**10,339,380**	41,230
Bank balances	**68,821,556**	54,854,759

The credit quality of the receivables can be assessed with reference to the historical performance with no or some defaults in recent history, however, no loses. The credit quality of Company's bank balances can be assessed with reference to external credit rating as follows: -

Bank	***Rating agency***	***Short term ratings***
Habib Metropolitan Bank Limited	PACRA	A1+

b) 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. 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 table below summarises the maturity profile of the Company's financial liabilities.

	2018			
	Carrying amount	***Contractual cash flows***	***Less than one year***	***More than one year***
	- - - - - - - - - - - - - Rupees - - - - - - - - - - - - -			
Financial Liabilities				
Accrued liabilities	**110,700**	**110,700**	**110,700**	

	2017			
	Carrying amount	*Contractual cash flows*	*Less than one year*	*More than one year*
	- - - - - - - - - - - - - Rupees - - - - - - - - - - - - -			
Financial Liabilities				
Accrued liabilities	126,300	126,300	126,300	-

c) *Market Risk*

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its financial instruments.. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk comprises of three types of risk: foreign exchange or currency risk, interest / mark up rate risk and price 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. Foreign Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

Currently the Company is not exposed to any currency risk because the company is not dealing in any foreign currency transactions.

(ii) Interest / mark up 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 the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows: -

	2018 Carrying Amount	*2017 Carrying Amount*
Financial assets		
Bank balances	**68,789,427**	54,829,777

Sensitivity analysis

The Company does not account for any fixed rate financial asset and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not effect fair value of any financial instrument and company does not have any variable rate instrument which effect profit and loss account and equity.

The following information summarizes the estimated effects of hypothetical increases and decreases in interest rates on cash flows from financial assets and 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.

	Profit and loss, if 100 bps increase	Profit and loss, if 100 bps decrease
As at June 30, 2018		
Cash flow sensitivity - Variable rate financial instruments	**28,898**	**(28,898)**
As at June 30, 2017		
Cash flow sensitivity - Variable rate financial instruments	6,055	(6,055)

(iii) 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. The Company is not exposed to any equity price risk since it has no investments in quoted equity securities.

The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable which if not, impairment loss has been recognised and other opportunities may be considered. Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the balance sheet date except for, unquoted associates which are carried at fair value determined through latest sales price. 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, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

Sensitivity analysis

The table below summarizes Company's equity price risk as of June 30, 2018 and 2017 and shows the effects of hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worst because of the nature of the equity market and aforementioned concentrations existing in company's equity investment portfolio.

	Fair Value	*Hypothetical price change*	*Estimated fair value after hypothetical change in prices*	*Hypothetical increase (decrease) in Shareholder s' Equity*
	Rupees		*Rupees*	*Rupees*
June 30, 2018	**21,353,582**	**10% increase**	**23,488,940**	2,135,358
		10% decrease	**19,218,224**	(2,135,358)
June 30, 2017	41,163,833	10% increase	45,280,216	4,116,383
		10% decrease	37,047,450	(4,116,383)

Fair Value of Financial Instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in arm's length transaction.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows: -

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable).

	Level 1	*Level 2*	*Level 3*
	------------- *Rupees* ----------		
June 30, 2018			
'Available for sale' investments	**21,353,582**	-	-
At fair value through profit or loss	**10,339,380**	-	-
June 30, 2017			
'Available for sale' investments	41,163,833	-	-
At fair value through profit or loss	41,230	-	-

20 CAPITAL RISK MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business sustain future development of the business and maximize shareholders value. The Company closely monitors the return on capital along with the level of distributions to ordinary shareholders. No changes were made in the objectives, policies or processes during the year ended June 30, 2018

The Company monitors capital by effective control over expenses and investment therefore no debt is taken by the company.

21 RELATED PARTY TRANSACTIONS

The related parties comprise director of the Company and key management employees. The Company continues to have a policy whereby all transactions with related parties undertakings are entered into at commercial terms and conditions. During the year, related party transaction has been under taken as ;

The company during the year purchase membership of Pakistan Mercantile Exchange limited from Director at Rs.1,000,000 along with deposit with Pakistan Mercantile Exchange Limited of Rs.2,500,000.

22 OPERATING SEGMENT

These financial statements have been prepared on the basis of a single reportable segment which is consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

The internal reporting provided to the chief operating decision-maker relating to the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan. There were no change in the reportable segments

The Company is domiciled in Pakistan. The Company's revenue is generated from shares brokerage, portfolio management, investment advisory, consultancy and underwriting services.

All non-current assets of the Company at June 30, 2018 are located in Pakistan.

	Number of employees as at June 30, 2018	*Number of employees as at June 30, 2017*
23 NUMBER OF EMPLOYEES		
No. of employees	**4**	3
Average number of employees	**4**	3

24 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company on 1 0 SEP 2018.

25 GENERAL

Figures have been rounded off to the nearest rupee.

DAWOOD MOHAMMED SECURITIES (PVT.) LTD. KARACHI 180

Chief Executive

Director