# 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, 2019, 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, 2019 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.

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.

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.

REANDA

**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:** 01 OCT 2019

## *DAWOOD MOHAMMED SECURITIES (PRIVATE) LIMITED*
## *STATEMENT OF FINANCIAL POSITION*
## *AS AT JUNE 30, 2019*

| | Note | *2019 Rupees* | *2018 Rupees Restated* | *2017 Rupees Restated* |
|---|---|---|---|---|
| ***ASSETS*** | | | | |
| **Non-Current Assets** | | | | |
| Property and equipment | 4 | **44,797** | 49,774 | 55,305 |
| Intangible asset | 5 | **3,500,000** | 3,500,000 | 5,000,000 |
| Long term investments | 6 | **-** | 21,353,582 | 41,163,833 |
| Long term deposits | 7 | **3,010,000** | 3,010,000 | 12,510,000 |
| Deferred tax asset | 8 | **-** | - | - |
| | | **6,554,797** | 27,913,356 | 58,729,138 |
| **Current Assets** | | | | |
| Short term investments | 9 | **20,863,100** | 10,339,380 | 41,230 |
| Tax refunds due from government | 10 | **-** | 44,549 | 44,549 |
| Other receivables | 11 | **611,681** | 283,133 | 4,612,614 |
| Bank balances | 12 | **70,880,153** | 68,821,556 | 54,854,759 |
| | | **92,354,934** | 79,488,618 | 59,553,152 |
| **Total Assets** | | **98,909,731** | 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 | 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 | 54,000,000 |
| Unappropriated profit | | **44,513,372** | 53,291,274 | 64,155,990 |
| **Shareholders' equity** | | **98,513,372** | 107,291,274 | 118,155,990 |
| **Current Liabilities** | | | | |
| Accrued liabilities | | **121,500** | 110,700 | 126,300 |
| Provision for taxation | 14 | **274,859** | - | - |
| | | **396,359** | 110,700 | 126,300 |
| **Total Equity and Liabilities** | | **98,909,731** | 107,401,974 | 118,282,290 |

The annexed notes form an integral part of these financial statements

*Chief Executive*

*Director*

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

| | Note | 2019<br>Rupees | 2018<br>Rupees<br>Restated |
|---|---|---|---|
| Operating revenue | 15 | **5,508,856** | 3,293,698 |
| Unrealized loss on investment | | **(10,829,862)** | (9,512,101) |
| | | **(5,321,006)** | (6,218,403) |
| Operating and administrative expenses | 16 | **(2,288,003)** | (1,391,908) |
| Other charges | 17 | **(331,500)** | (2,810,700) |
| **Loss before taxation** | | **(7,940,509)** | (10,421,011) |
| Taxation | 18 | **(837,393)** | (443,705) |
| **Loss after taxation** | | **(8,777,902)** | (10,864,716) |

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

***Chief Executive***

***Director***

***DAWOOD MOHAMMED SECURITIES (PRIVATE) LIMITED***
***STATEMENT OF OTHER COMPREHENSIVE INCOME***
***FOR THE YEAR ENDED JUNE 30, 2019***

| | 2019 Rupees | 2018 Rupees Restated |
|---|---|---|
| **Loss for the year** | **(8,777,902)** | (10,864,716) |
| **Other comprehensive income** | | |
| ***Item that may be reclassified subsequently to profit or loss account*** | | |
| Loss on re-measurement of investment available for sale | - | - |
| **Total comprehensive loss for the year** | **(8,777,902)** | (10,864,716) |

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

***Chief Executive***

***Director***

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

| *Description* | *Issued, subscribed & paid up capital* | *Reserves* | | | *Total* |
|---|---|---|---|---|---|
| | | *Accumulated profit* | *Gain on remeasurement of available for sale investment* | *Unappropriated profit* | |
| | | ---------- *Rupees* ---------- | | | |
| **Balance as at June 30, 2017 as previously reportef** | **54,000,000** | **39,021,687** | **25,134,303** | **64,155,990** | **118,155,990** |
| Effect of changes in accounting policy - note 4.1 | - | 25,134,303 | (25,134,303) | - | - |
| **Balance as at June 30, 2017 - restated** | 54,000,000 | 64,155,990 | - | 64,155,990 | 118,155,990 |
| Loss for the year ended June 30, 2018-restated | - | (10,864,716) | - | (10,864,716) | (10,864,716) |
| **Balance as at June 30, 2018-restated** | **54,000,000** | **53,291,274** | - | **53,291,274** | **107,291,274** |
| Loss for the year | - | (8,777,902) | - | (8,777,902) | (8,777,902) |
| **Balance as at June 30, 2019** | **54,000,000** | **44,513,372** | - | **44,513,372** | **98,513,372** |

The annexed notes form an integral part of these financial statements

*Chief Executive*

*Director*

*DAWOOD MOHAMMED SECURITIES (PRIVATE) LIMITED*
*STATEMENT OF CASH FLOWS*
*FOR THE YEAR ENDED JUNE 30, 2019*

| | 2019 Rupees | 2018 Rupees Restated |
|---|---|---|
| ***A. CASH FLOWS FROM OPERATING ACTIVITIES*** | | |
| Loss before taxation | **(7,940,509)** | (10,421,011) |
| **Adjustment for:** | | |
| Depreciation | **4,977** | 5,530 |
| Impairment of trading right entitlement certificate | **-** | 2,500,000 |
| Unrealized loss on investment | **10,829,862** | 9,512,101 |
| **Profit before working capital changes** | **2,894,330** | 1,596,620 |
| **Changes in Working Capital:** | | |
| **Decrease / (Increase) in current assets** | | |
| Other receivable | **(328,548)** | 4,329,482 |
| **(Decrease) / Increase in current liabilities** | | |
| Accrued expenses | **10,800** | (15,600) |
| | **(317,748)** | 4,313,882 |
| **Cash generated from operations** | **2,576,582** | 5,910,502 |
| Long term deposits paid | **-** | 9,500,000 |
| Taxes paid | **(517,985)** | (443,705) |
| **Net cash generated from operating activities** | **2,058,597** | 14,966,797 |
| ***B. CASH FLOW FROM INVESTING ACTIVITIES*** | | |
| Purchase of Membership card of PMEX | **-** | (1,000,000) |
| **Net cash used in investing activities** | **-** | (1,000,000) |
| **Net increase in cash and cash equivalents** | **2,058,597** | 13,966,797 |
| **Cash and cash equivalents at the beginning of the year** | **68,821,556** | 54,854,759 |
| **Cash and cash equivalents at the end of the year** | **70,880,153** | 68,821,556 |

The annexed notes form an integral part of these financial statements

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***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.

## 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 and directive issued under the Companies Act,2017 differ from 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, that certain investments are carried at fair value.

### 2.3 Functional and presentation currency

The financial statements are presented in Pak Rupees, which is also the Company's functional currency. All financial information presented in Pak Rupees has been rounded to the nearest rupee.

### 2.4 Use of estimates and judgments

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***

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less loss allowance, if any. The Company measures the loss allowance for trade debts at an amount equal to lifetime expected credit losses (ECL). The expected credit losses on trade debts are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

***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*

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2018 other than those disclosed in, are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

### *2.5.1 New standards, amendments to standards and IFRS interpretations that are effective for the year ended*

The following amendments to accounting standards are effective for the period ended June 30, 2019. Except as explained otherwise, these standards and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

| | *Effective for period beginning on or after* |
|---|---|
| Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions | January 1, 2018 |
| IFRS 4 'Insurance Contracts': Applying IFRS 9 with IFRS 4 | January 1, 2018 |
| IFRS 9 'Financial Instruments' | Annual period ending on or after June 30, 2019 |
| IFRS 15 'Revenue from Contracts with Customers' | July 1, 2018 |
| Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property | January 1, 2018 |
| IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. | January 1, 2018 |

Certain annual improvements have also been made to a number of standards, which have not ben enumerated here for brevity.

***First time adoption of new Standards***

***IFRS 9 - Financial Instruments***

This standard has been notified by the SECP to be effective for annual periods ending on or after June 30, 2019. This standard replaced IAS 39 - Financial Instruments: Recognition and Measurement (IAS 39) and covers the recognition, classification, measurement, de-recognition and impairment of financial assets and financial liabilities. It requires all fair value movements on equity investments to be recognized either in the profit or loss or in other comprehensive income, on a case-by-case basis, and also introduced a new impairment model for financial assets based on expected losses rather than incurred losses and provides a new hedge accounting model.

The impact of the adoption of IFRS 9 has been in the following areas:

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

IFRS 9 largely retains the existing requirements of IAS 39 for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, held for trading, available for sale and held to maturity with the categories such as amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

Under IFRS 9, the classification of financial assets is based on the objective of the entity's business model that is the Company's objective is to hold assets only to collect cash flows, or to collect cash flows and to sell ("the Business Model test") and the contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding ("the SPPI test"). The detail impact analysis of IFRS 9 is provided in **note 3.1**.

### *(ii) Impairment of financial assets*

IFRS 9 replaces the 'incurred loss' model of IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVTOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Under IFRS 9, loss allowances are measured on either of the following basis:

- 12 - months ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs: These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure provision against financial assets on the basis of lifetime ECLs.

Lifetime ECL is only recognized if the credit risk at the reporting date has increased significantly relative to the credit risk at initial recognition. Further, the Company considers the impact of forward looking information (such Company's internal factors and economic environment of the country of customers) on ECLs.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity and the cash flows that the Company expects to receive). Since these assets are short term in nature, therefore no credit loss is expected on these balances

#### *Presentation of impairment*

Provision against financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

#### *Impact of the new impairment model*

For assets within the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements on the reporting date does not have a material impact on provision for doubtful debts measured under IAS 39.

#### *IFRS 15 - Revenue from Contracts with Customers*

This standard was notified by the Securities and Exchange Commission of Pakistan ('SECP') to be effective for annual periods beginning on or after July 1, 2018. IFRS 15 - Revenue from contracts with customers (IFRS 15) replaced IAS 18 - Revenue, IAS 11 - Construction Contracts, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter Transactions involving Advertising Services. IFRS 15 provides a single, principle-based approach to the recognition of revenue from all contracts with customers and focuses on the identification of performance obligations in a contract and requires revenue to be recognized when or as those performance obligations in a contract are satisfied.

The company is generating revenue from brokerage commission hence there is no material impact on adoption of IFRS-15

### 2.5.2 *Amendments to standards and IFRS*

The following amendments to accounting standards and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

| | ***Effective from accounting period beginning on or after*** |
|---|---|
| Amendments to IFRS 3 'Business Combinations': Amendments to clarify the definition of a business | January 1, 2020 |
| Amendments to IFRS 9 'Financial Instruments': Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | January 1, 2019 |
| Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures': Sale or contribution of assets between an investor and its associate or joint venture | Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted. |
| IFRS 16 'Leases' | January 1, 2019 |
| Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': Amendments regarding the definition of material | January 1, 2020 |
| Amendments to IAS 19 'Employee Benefits': Plan amendments, curtailments or settlements | January 1, 2019 |
| Amendments to IAS 28 'Investments in Associates and Joint Ventures': Long-term interests in associates and joint ventures | January 1, 2019 |
| IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. | January 1, 2019 |
| Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework. | January 1, 2020 |

Certain annual improvements have also been made to a number of standards, which have not ben enumerated here for brevity.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

| | |
|---|---|
| IFRS 1 | First Time Adoption of International Financial Reporting Standards |
| IFRS 14 | Regulatory Deferral Accounts |
| IFRS 17 | Insurance Contracts |

## 3 *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

### 3.1 *Change in accounting policy*

During the year, the Company changed its accounting policy for measurement of its short term investment from Available for sale (AFS) category to Financial Asset at Fair Value through profit or loss (FVTPL) Category.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting policies, changes in accounting estimates and errors' and comparative figures have been restated.

The following table explain 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 30 June 2018 and 01 July 2017.

| | ***Original classification under IAS 39*** | ***New classification under IFRS 9*** | ***Original amount*** | ***New amount*** |
|---|---|---|---|---|
| **As at June 30, 2018** | | | | |
| Long term investment - Shares of PSX | Available for ale | FVTPL | **21,353,582** | 21,353,582 |
| Long term deposits | Loan and receivabl( | Amortized cost | **3,010,000** | 3,010,000 |
| Other receivables | Loan and receivabl( | Amortized cost | **283,133** | 283,133 |
| Short term investment | Available for sale | FVTPL | **10,339,380** | 10,339,380 |
| Cash and bank balances | Loan and receivabl( | Amortized cost | **68,821,556** | 68,821,556 |
| **As at July 01, 2017** | | | | |
| Long term investment - Shares of PSX | Available for ale | FVTPL | **41,163,833** | 41,163,833 |
| Long term deposits | Loans and receivabl( | Amortized cost | **12,510,000** | 12,510,000 |
| Other receivables | Loans and receivabl( | Amortized cost | **4,612,614** | 4,612,614 |
| Short term investment | Available for sale | FVTPL | **41,230** | 41,230 |
| Cash and bank balances | Loans and receivabl( | Amortized cost | **54,854,759** | 54,854,759 |

Retrospective application of changes in classification of financial assets due to adoption of IFRS 9 has had the following effects on the amounts presented for 30 June 2018 and 01 July 2017.

| | As previously reported | Change | Restated |
|---|---|---|---|
| **STATEMENT OF PROFIT OR LOSS** | | | |
| **As at July 01, 2018** | | | |
| Loss on remeasurement of investment | (6,590) | (9,505,511) | (9,512,101) |
| Loss before taxation | (915,500) | (9,505,511) | (10,421,011) |
| Taxation | (443,705) | - | (443,705) |
| Loss after taxation | (1,359,205) | (9,505,511) | (10,864,716) |
| **As at July 01, 2017** | | | |
| Gain on remeasurement of investment | 1,750 | 25,134,303 | 25,136,053 |
| Profit before taxation | 42,679,337 | 25,134,303 | 67,813,640 |
| Taxation | (115,965) | - | (115,965) |
| Profit after taxation | 42,795,302 | 25,134,303 | 67,929,605 |
| **STATEMENT OF OTHER COMPREHENSIVE INCOME** | | | |
| **As at June 30, 2018** | | | |
| Loss after taxation | (1,359,205) | (9,505,511) | (10,421,011) |
| Loss on remeasurement of investment available for sale | (9,505,511) | 9,505,511 | - |
| Total comprehensive loss | (10,864,716) | - | (10,421,011) |
| **As at July 01, 2017** | | | |
| Profit after taxation | 42,795,302 | 25,134,303 | 67,813,640 |
| Gain on remeasurement of investment available for sale | 25,134,303 | (25,134,303) | - |
| Total comprehensive income | 67,929,605 | - | 67,813,640 |
| **STATEMENT OF CHANGES IN EQUITY** | | | |
| **As at June 30, 2018** | | | |
| Unappropriated profit | 37,662,482 | 15,628,792 | 53,291,274 |
| Gain on remeasurement of investment classified as available for sale | 15,628,792 | (15,628,792) | - |
| | 53,291,274 | - | 53,291,274 |
| **As at June 30, 2017** | | | |
| Unappropriated profit | 39,021,687 | 25,134,303 | 64,155,990 |
| Gain on remeasurement of investment classified as available for sale | 25,134,303 | (25,134,303) | - |
| | 64,155,990 | - | 64,155,990 |

### 3.2 *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.

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.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and

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

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.

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.

### *3.3 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.

### *3.4 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.

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.

### 3.5 *Financial instruments*

### 3.5.1 *Initial Recognition*

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value, amortized cost as the case may be.

### 3.5.2 *Classification of Financial assets*

***The Company classifies its financial instruments in the following categories:***

- at amortized cost.
- at fair value through other comprehensive income ("FVTOCI"), or
- at fair value through profit and loss ("FVTPL"),

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

***Financial assets at amortized cost***

Financial assets that meet the following conditions are subsequently measured at amortized cost:

*a)* the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

*b)* the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

***Financial assets at fair value through OCI***

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

*a)* the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

*b)* the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

However, Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

***Financial assets at fair value through P&L***

A financial asset is measured at fair value through P&L unless it is measured at amortized or at fair value through OCI.

### 3.5.3 *Financial liabilities*

The Company classifies its financial liabilities in the following categories:

- at fair value through profit and loss ("FVTPL"), or
- at amortized cost.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

### *3.5.4 Subsequent measurement*

#### *Financial assets at FVTOCI*

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in OCI.

#### *Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, and subsequently carried at amortized cost, and in the case of financial assets, less any impairment.

#### *Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income/(loss). Currently, there are no financial liabilities designated at FVTPL.

### *3.5.5 Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses (ECLs) on financial assets that are measured at amortized cost. Loss allowances are measured on the basis of life time (ECLs) that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL is only recognized if the credit risk at the reporting date has increased significantly relative to the credit risk at initial recognition. Further, the Company considers the impact of forward looking information (such Company's internal factors and economic environment of the country of customers) on ECLs. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity and the cash flows that the Company expects to receive).

Provision against financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

### *3.5.6 Derecognition*

#### *Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognized in profit or loss.

In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to revenue reserve.

***Financial liabilities***

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of profit or loss and other comprehensive income.

### *3.5.7 Offsetting of financial assets and financial liabilities*

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

### *3.6 Advances and Deposits*

All short and long term advances and deposits are carried at nominal amount. Provisions are made for doubtful amounts. Irrecoverable amounts are written off to profit and loss account.

### *3.7 Trade debts*

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

Trade receivables in respect of securities sold on behalf of client are recorded at settlement date of transaction

### *3.8 Cash and cash equivalents*

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

### *3.9 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.

Trade receivables in respect of securities sold on behalf of client are recorded at settlement date of transaction.

### *3.10 Taxation*

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in statement of changes in equity or in which case it is recognised in equity.

*Current*

Provision for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any.

*Deferred*

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amount of assets and liabilities used for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the 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 the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is charged or credited to the profit and loss account.

### *3.11 Provisions*

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### *3.12 Revenue*

Brokerage commission, consultancy and other income are recognised as and when such services are provided and performance obligation is satisfied.

Interest income is recognised on a time proportion basis using the effective interest rate of return.

Gain / (loss) on sale of securities are included in profit and loss account on settlement date basis.

### *3.13 Expenses*

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

### *3.14 Impairment*

*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 recognised.

### 3.15 *Offsetting of financial assets and financial liabilities*

A financial asset and a financial liability are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 3.16 *Related party transactions*

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

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|

## 4 PROPERTY AND EQUIPMENT

| | | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| **Office furniture** | | | |
| Net book value | | **49,774** | 55,305 |
| Depreciation for the year | | **(4,977)** | (5,531) |
| **Net book value as at 30th June** | | **44,797** | 49,774 |
| Cost | | **84,293** | 84,293 |
| Accumulated depreciation | | **(39,496)** | (34,519) |
| **Net book value as at 30th June** | | **44,797** | 49,774 |
| **Rate of depreciation** | | **10%** | 10% |

## 5 INTANGIBLE ASSET

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| Entitlement certificates | 5.1 | **3,500,000** | 3,500,000 |

### 5.1 *Membership card and trading right entitlement certificates*

| | | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| **Membership** | | | |
| Pakistan Mercantile Exchange Limited | | **1,000,000** | 1,000,000 |
| **Trading Rights Entitlement Certificate (TREC)** | | | |
| Pakistan Stock Exchange Limited | | **2,500,000** | 2,500,000 |
| | | **3,500,000** | 3,500,000 |

## 6 LONG TERM INVESTMENTS
*- Fair value through profit or loss - Quoted*

| 2019 Number of Shares | 2018 Number of Shares | Name of Securities | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|---|---|
| - | 1,081,194 | Pakistan Stock Exchange Limited | 6.1 | - | 21,353,582 |

*6.1* Investment in shares of Pakistan Stock Exchange Limited is carried at the fair value. 1,081,194 of the total shares remains in Company's CDC account which are freezed. Subsequent to the reporting date these shares have been unfreezed therefore these shares have been classified as in the current assets as short term investment.

| | 2019 Rupees | 2018 Rupees |
|---|---|---|

## 7 LONG TERM DEPOSIT

| | 2019 Rupees | 2018 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** | 10,000 |
| Deposit with NCEL Building Management Limited | **2,500,000** | 2,500,000 |
| | **3,010,000** | 3,010,000 |

## 8 DEFERRED TAX

| | 2019 Rupees | 2018 Rupees |
|---|---|---|
| Deferred tax assets | - | - |
| ***Deferred taxation comprises differences relating to:*** | | |
| **Debit arise in respect of the following:** | | |
| Accelerated tax depreciation | **5,155** | 5,395 |
| **Credit arise in respect of the following:** | | |
| Impairment of trading right entitlement certificate | **(1,885,000)** | (2,250,000) |
| Tax losses | **(380,742)** | (393,871) |
| | **(2,260,587)** | (2,638,476) |
| Unrecognised deferred tax asset | **2,260,587** | 2,638,476 |
| | - | - |

*8.1* The deferred tax asset of Rs.2.260 million (2018 : Rs.2.638 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***

| 2019 Number of Shares | 2018 Number of Shares | Name of Securities | 2019 Rupees | 2018 Rupees |
|---|---|---|---|---|
| **1,000** | 1,000 | Arif Habib Corporation Limited | **24,710** | 34,640 |
| **1,602,953** | 521,759 | Pakistan Stock Exchange Limited | **20,838,390** | 10,304,740 |
| | | | **20,863,100** | 10,339,380 |

## 10 TAX REFUNDS DUE FROM GOVERNMENT

| | 2019 Rupees | 2018 Rupees |
|---|---|---|
| Opening tax assets | - | 44,549 |
| Provision for the year | - | (443,705) |
| Taxes paid during the year | - | 443,705 |
| | - | 44,549 |

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|

## 11 OTHER RECEIVABLES

**- Considered good**

| | | | |
|---|---|---|---|
| Interest receivable | | **611,681** | 283,133 |

## 12 BANK BALANCES

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| Current account | | **89,688** | 32,129 |
| Deposit account | 12.1 | **70,790,465** | 68,789,427 |
| | | **70,880,153** | 68,821,556 |

### 12.1 Balance pertaining to

| | 2019 Rupees | 2018 Rupees |
|---|---|---|
| - clients | **200** | 500 |
| - brokerage house | **70,879,953** | 68,821,056 |
| | **70,880,153** | 68,821,556 |

### 12.2 Clients securities pledged

The total value of securities pertaining to clients are Rs. 1.030 billion held in sub-accounts of the company, out of which, securities of Rs. 0.399 million are pledged by client.

## 13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| 2019 Number of Shares | 2018 Number of Shares | | 2019 Rupees | 2018 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 |

## 14 PROVISION FOR TAXATION

| | 2019 Rupees | 2018 Rupees |
|---|---|---|
| Opening tax refundable | **(44,549)** | - |
| Provision for the year | **837,393** | - |
| Taxes paid during the year | **(517,985)** | - |
| | **274,859** | - |

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|

## 15 OPERATING REVENUE

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| Equity brokerage income - retail | | - | 175 |
| Dividend income | | **2,000** | 403,739 |
| Bank profit | | **5,506,856** | 2,889,784 |
| | | **5,508,856** | 3,293,698 |

## 16 OPERATING AND ADMINISTRATIVE EXPENSES

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| Salaries and other benefits | 16.1 | **1,666,625** | 890,500 |
| Utility expenses | | **23,424** | 26,183 |
| Fees and subscription | | **65,344** | 81,343 |
| Legal and professional charges | | **256,712** | 210,360 |
| Entertainment expense | | **129,500** | 153,992 |
| Office service charges | | **141,421** | 24,000 |
| Depreciation | 4 | **4,977** | 5,530 |
| | | **2,288,003** | 1,391,908 |

***16.1*** Salaries and other benefits include Chief Execuive's salary amounting to Rs. 600,000 (2018: Nil).

## 17 OTHER CHARGES

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| Auditors' remuneration | 17.1 | **121,500** | 110,700 |
| Donation and charity | | **210,000** | 200,000 |
| Impairment of trading right entitlement certificate | | - | 2,500,000 |
| | | **331,500** | 2,810,700 |

### 17.1 Auditors' remuneration

| | 2019 Rupees | 2018 Rupees |
|---|---|---|
| Statutory audit fee | **81,000** | 75,000 |
| Other certification fee | **40,500** | 35,700 |
| | **121,500** | 110,700 |

## 18 TAXATION

| | 2019 Rupees | 2018 Rupees |
|---|---|---|
| Current | **837,393** | 443,705 |

## 19 PATTERN OF SHAREHOLDINGS

Following are the shareholders having more than 5% holding as at June 30, 2019:

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

## 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

| | ***2019 Rupees*** | *2018 Rupees* |
|---|---|---|
| ***FINANCIAL ASSETS AND LIABILITIES*** | | |
| ***Financial assets*** | | |
| Long term deposits | **3,010,000** | 3,010,000 |
| Long term investments | **-** | 21,353,582 |
| Other receivables | **611,681** | 283,133 |
| Short term investments | **20,863,100** | 10,339,380 |
| Bank balances | **70,880,153** | 68,821,556 |
| ***Financial Liabilities*** | | |
| Accrued liabilities | **121,500** | 110,700 |

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.

### 20.1 *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: -

| | 2019<br>Rupees | 2018<br>Rupees |
|---|---|---|
| Long term investments | - | 21,353,582 |
| Long term deposits | **3,010,000** | 3,010,000 |
| Other receivables | **611,681** | 283,133 |
| Short term investments | **20,863,100** | 10,339,380 |
| Bank balances | **70,880,153** | 68,821,556 |

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: -

| | | Rating | |
|---|---|---|---|
| ***Bank*** | ***Rating agency*** | ***Short term*** | ***Long term*** |
| Habib Metropolitan Bank Limited | PACRA | A1+ | AA+ |

***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.

| | ***2019*** | | | |
|---|---|---|---|---|
| | ***Carrying amount*** | ***Contractual cash flows*** | ***Less than one year*** | ***More than one year*** |
| | ------------- ***Rupees*** ------------- | | | |
| ***Financial Liabilities*** | | | | |
| Accrued liabilities | **121,500** | **121,500** | **121,500** | - |

| | *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 | - |

## 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: -

| | ***2019 Carrying Amount*** | *2018 Carrying Amount* |
|---|---|---|
| **Financial assets** | | |
| Bank balances | **70,790,465** | 68,789,427 |

***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, 2019** | | |
| Cash flow sensitivity - Variable rate financial instruments | **55,069** | **(55,069)** |
| **As at June 30, 2018** | | |
| Cash flow sensitivity - Variable rate financial instruments | 28,898 | (28,898) |

***(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, 2019 and 2018 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 Shareholders ' Equity* |
|---|---|---|---|---|
| | *Rupees* | | *Rupees* | *Rupees* |
| **June 30, 2019** | - | **10% increase** | - | - |
| | | **10% decrease** | - | - |
| June 30, 2018 | 21,353,582 | 10% increase | 23,488,940 | 2,135,358 |
| | | 10% decrease | 19,218,224 | (2,135,358) |

### *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 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
- 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, 2019*** | | | |
| At fair value through profit or loss | **20,863,100** | **-** | **-** |
| ***June 30, 2018*** | | | |
| Available for sale' investments | 21,353,582 | - | - |
| At fair value through profit or loss | 10,339,380 | - | - |

## 21 *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, 2019.

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

## 22 *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. Currently there were no related party transaction during the year.

## 23 *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 during the year.

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, 2019 are located in Pakistan.

| | **2019 Rupees** | *2018 Rupees* |
|---|---|---|

## 24 *CAPITAL ADEQUACY LEVEL*

The capital adequacy level of the company is as follows:

| | | |
|---|---|---|
| Total assets | **98,909,731** | 107,401,974 |
| Less: Total liabilities | **(396,359)** | (110,700) |
| Less: Revaluation reserves (created upon revaluation of fixed assets) | **-** | - |
| **Capital adequacy level** | **98,513,372** | 107,291,274 |

***24.1*** While determining the value of total assets of TREC holder, notional value of TRE certificate held by such participant as at year ended June 30, 2019 as determined by the Pakistan Stock Exchange Limited - PSX has been considered.

## 25 *NUMBER OF EMPLOYEES*

| | **Number of employees as at June 30, 2019** | *Number of employees as at June 30, 2018* |
|---|---|---|
| No. of employees | **4** | 4 |
| Average number of employees | **4** | 4 |

## 26 *DATE OF AUTHORIZATION FOR ISSUE*

These financial statements have been authorized for issue by the Board of Directors of the Company on 01 OCT 2019.

## 27 *GENERAL*

Figures have been rounded off to the nearest rupee.