# ALFA ADHI SECURITIES (PRIVATE) LIMITED

**Financial Statements**
**For the year ended June 30, 2019**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALFA ADHI SECURITIES (PRIVATE) LIMITED ON THE AUDIT OF THE FINANCIAL STATEMENTS

***Qualified Opinion***

We have audited the annexed financial statements of **Alfa Adhi Securities (Private) Limited** (the Company), which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, 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 and other 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 and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

***Basis for Qualified Opinion***

The Company has not carried out actuarial valuation of staff gratuity (staff retirement benefit) for determination of the liability in accordance with the Projected Unit Credit (PUC) method as prescribed by the "International Accounting Standard - 19 Employee Benefits" along with required disclosures. In the absence of actuarial valuation, we were unable to identify the amount of any adjustment to the liability against staff retirement benefits of the Company.

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 qualified 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.

REANDA

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.

REANDA

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

***Report on Other Legal and Regulatory Requirements***

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

*a)* except for the matter described in the *Basis for Qualified Opinion* section of our report, proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

*b)* except for the matter described in the *Basis for Qualified Opinion* section of our report, the statement of financial position, the statement of profit or loss and 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; and

*d)* no zakat is deductible at source under the Zakat and Ushr Ordinance, 1980.

*e)* the Company was in compliance with the requirements of section 78 of the Securities Act 2015, section 62 of the Future Market Act 2016 and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations 2016 as at the date on which the statement of financial position was prepared.

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

RHZCo Reanda Haroon Zakaria & Co
**Reanda Haroon Zakaria & Company**
**Chartered Accountants**

**Place:** Karachi
**Dated:** 18 SEP 2019

# *ALFA ADHI 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 | 5 | **23,070,734** | 24,697,548 | 30,336,547 |
| Intangible assets | 6 | **3,200,898** | 3,342,865 | 4,400,786 |
| Long term investment | 7 | **-** | 31,658,322 | 41,163,833 |
| Long term deposits | 8 | **5,264,000** | 5,264,000 | 5,264,000 |
| | | **31,535,632** | 64,962,735 | 81,165,166 |
| **Current Assets** | | | | |
| Trade debts | 9 | **50,763,957** | 56,897,337 | 52,529,892 |
| Loans and advances | 10 | **23,501,253** | 7,761,756 | 582,550 |
| Deposit and other receivables | 11 | **7,531,773** | 5,955,351 | 31,979,393 |
| Short term investments | 12 | **16,870,092** | 6,068,634 | 10,547,224 |
| Income tax refunds due from government | 13 | **12,287,288** | 10,214,892 | 10,218,922 |
| Cash and bank balances | 14 | **21,170,753** | 39,622,698 | 61,964,256 |
| | | **132,125,116** | 126,520,668 | 167,822,237 |
| **Total Assets** | | **163,660,748** | 191,483,403 | 248,987,403 |
| ***EQUITY AND LIABILITIES*** | | | | |
| **Share Capital and Reserves** | | | | |
| **Authorized share capital** | | | | |
| 10,000,000 Ordinary shares of Rs.10 each | | **100,000,000** | 100,000,000 | 100,000,000 |
| Issued, subscribed and paid-up share capital | 15 | **50,490,000** | 50,490,000 | 50,490,000 |
| **Revenue reserve** | | | | |
| Unappropriated profit | | **78,870,497** | 96,180,448 | 117,366,307 |
| **Capital reserve** | | | | |
| Surplus on revaluation of property | 16 | **7,454,698** | 7,848,919 | 11,038,324 |
| **Shareholders' equity** | | **136,815,195** | 154,519,367 | 178,894,631 |
| **Non-Current Liabilities** | | | | |
| Deferred liabilities | 17 | **3,376,591** | 7,099,866 | 8,103,368 |
| Long term deposits | 18 | **-** | 518,384 | 542,287 |
| | | **3,376,591** | 7,618,250 | 8,645,655 |
| **Current Liabilities** | | | | |
| Trade and other payables | 19 | **18,720,203** | 29,244,871 | 60,767,372 |
| Short term borrowing | 20 | **4,022,738** | - | - |
| Mark up accrued | | **726,021** | 100,915 | 679,745 |
| | | **23,468,962** | 29,345,786 | 61,447,117 |
| **Contingencies and Commitments** | 21 | | | |
| **Total Equity and Liabilities** | | **163,660,748** | 191,483,403 | 248,987,403 |

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

*Chief Executive* *Director*

## *ALFA ADHI SECURITIES (PRIVATE) LIMITED*
## *STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*
## *FOR THE YEAR ENDED JUNE 30, 2019*

| | Note | 2019 Rupees | 2018 Rupees Restated |
|---|---|---|---|
| Operating revenue | 22 | **19,022,936** | 23,019,323 |
| Operating and administrative expenses | 23 | **23,550,631** | 26,354,496 |
| **Operating loss** | | **(4,527,695)** | (3,335,173) |
| Finance cost | 24 | **3,331,247** | 1,606,136 |
| Other expenses | 25 | **15,374,872** | 18,246,524 |
| | | **(18,706,119)** | (19,852,660) |
| | | **(23,233,814)** | (23,187,833) |
| Other income | 26 | **2,133,489** | 3,256,452 |
| **Loss before taxation** | | **(21,100,325)** | (19,931,381) |
| Taxation - net | 27 | **3,396,153** | (4,554,931) |
| **Loss after taxation** | | **(17,704,172)** | (24,486,312) |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to profit or loss account in subsequent period** | | | |
| Effect of tax rate adjustment on revaluation surplus | | - | 111,048 |
| **Total comprehensive loss** | | **(17,704,172)** | (24,375,264) |

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

*Chief Executive*

*Director*

## *ALFA ADHI SECURITIES (PRIVATE) LIMITED*
## *STATEMENT OF CHANGES IN EQUITY*
## *FOR THE YEAR ENDED JUNE 30, 2019*

| | | Reserves | | | | |
|---|---|---|---|---|---|---|
| | | Revenue | Capital | | | |
| Description | Share capital | Unappropriated profit | Gain on remeasurement of available for sale investment | Surplus on revaluation of property | Total reserves | Shareholders' equity |
| | ----- | ----- | ----- | Rupees | ----- | ----- |
| **Balance as at June 30, 2017** | | | | | | |
| **- Originally reported (restated)** | 50,490,000 | 79,836,092 | 37,530,215 | 11,038,324 | 128,404,631 | 178,894,631 |
| **Effect of re-statement as note 2.5.1** | | | | | | |
| Effect of re-statement as disclosed in 2.5.1 | - | 37,530,215 | (37,530,215) | - | - | - |
| **Balance as at June 30, 2017 - *Restated*** | 50,490,000 | 117,366,307 | - | 11,038,324 | 128,404,631 | 178,894,631 |
| **Total comprehensive loss for the year ended June 30, 2018** | | | | | | |
| Loss after taxation - *Restated* | - | (24,486,312) | - | - | (24,486,312) | (24,486,312) |
| Other comprehensive income - *Restated* | - | - | - | 111,048 | 111,048 | 111,048 |
| **Total comprehensive loss** | - | (24,486,312) | - | 111,048 | (24,375,264) | (24,375,264) |
| Transferred from revaluation reserve to retained earnings on account of disposal of assets | - | 2,748,537 | - | (2,748,537) | - | - |
| Transferred from surplus on revaluation on account of incremental depreciation - net of deferred tax | - | 551,916 | - | (551,916) | - | - |
| **Balance as at June 30, 2018 - *Restated*** | **50,490,000** | **96,180,448** | - | **7,848,919** | **104,029,367** | **154,519,367** |
| **Total comprehensive loss for the year ended June 30, 2019** | | | | | | |
| Loss after taxation | - | (17,704,172) | - | - | (17,704,172) | (17,704,172) |
| Other comprehensive loss | - | - | - | - | - | - |
| **Total comprehensive loss** | - | (17,704,172) | - | - | (17,704,172) | (17,704,172) |
| Transferred from surplus on revaluation on account of incremental depreciation - net of deferred tax | - | 394,221 | - | (394,221) | - | - |
| **Balance as at June 30, 2019** | **50,490,000** | **78,870,497** | - | **7,454,698** | **86,325,195** | **136,815,195** |

Unappropriated profit can be utilized for meeting any contingencies and distribution of profits by way of dividend.

Surplus on revaluation of property will be utilized for any purpose only after it is realized and transferred to unappropriated profits. However, these reserves can be individually offset against losses arising in future periods (if any) from revalued assets.

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

*Chief Executive*

*Director*

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

| | Note | 2019 Rupees | 2018 Rupees Restated |
|---|---|---|---|
| ***A. CASH FLOWS FROM OPERATING ACTIVITIES*** | | | |
| **Loss before taxation** | | **(21,100,325)** | (19,931,381) |
| **Adjustment for:** | | | |
| Depreciation | 5 | **1,842,594** | 2,182,751 |
| Amortization | 6.2 & 6.3 | **141,967** | 141,967 |
| Provision in respect of employees gratuity fund | 17.1 | **569,750** | 602,850 |
| Capital loss on disposal of investments | 25 | **2,923,212** | 2,996,430 |
| Mark up against margin financing | 26 | **(1,178,599)** | (1,906,681) |
| Financial charges | 24 | **3,331,247** | 1,606,136 |
| Remeasurement loss on investment | 12 | **7,964,832** | 10,377,620 |
| Impairment of TREC | | **-** | 915,954 |
| Loss on disposal | | **-** | 262,442 |
| | | **15,595,003** | 17,179,469 |
| **Cash used in operating activities before working capital changes** | | **(5,505,322)** | (2,751,912) |
| **(Increase) / decrease in current assets** | | | |
| Trade debts | | **6,133,380** | (4,367,445) |
| Loans and advances | | **(15,739,497)** | (7,179,206) |
| Deposit and other receivables | | **(397,823)** | 26,024,042 |
| **Decrease in current liabilities** | | | |
| Trade and other payables | | **(10,524,668)** | (24,929,769) |
| | | **(20,528,608)** | (10,452,378) |
| **Cash used in operations** | | **(26,033,930)** | (13,204,290) |
| Financial charges paid | | **(2,706,141)** | (1,783,239) |
| Income taxes paid | 13.1 | **(2,323,268)** | (4,918,971) |
| Gratuity paid | 17.1 | **(646,000)** | - |
| Long term deposits refunded | | **(518,384)** | (23,903) |
| **Net cash used in operating activities** | | **(32,227,723)** | (19,930,403) |
| ***B. CASH FLOWS FROM INVESTING ACTIVITIES*** | | | |
| Fixed assets expenditure incurred | 5 | **(215,780)** | (656,194) |
| Proceeds against disposal of fixed assets | | **-** | 3,850,000 |
| Markup received against margin financing | | **-** | 377,719 |
| Short term investments - net | | **9,968,820** | 610,051 |
| **Net cash generated from investing activities** | | **9,753,040** | 4,181,577 |

| | 2019<br>Rupees | 2018<br>Rupees<br>Restated |
|---|---|---|
| ***C. CASH FLOWS FROM FINANCING ACTIVITIES*** | | |
| Short term borrowing obtained | **4,022,738** | - |
| Dividend paid | - | (6,592,732) |
| **Net cash generated from / (used in) financing activities** | **4,022,738** | (6,592,732) |
| **Net decrease in cash and cash equivalent (A+B+C)** | **(18,451,945)** | (22,341,558) |
| **Cash and cash equivalents at the beginning of the year** | **39,622,698** | 61,964,256 |
| **Cash and cash equivalents at the end of the year** | **21,170,753** | 39,622,698 |

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

***Chief Executive***

***Director***

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

## *1 THE COMPANY AND GENERAL INFORMATION*

### *1.1 Legal status and operations*

Alfa Adhi Securities (Private) Limited (the 'Company') was incorporated in Pakistan on November 21, 1994 as a private limited company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is a corporate member of the Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited. The principal objects of the Company include share brokerage, money market transactions, consultancy services and underwriting etc. The registered office of the Company is situated at 308, 3rd floor, Landmark Plaza - I.I. Chundrigar Road, Karachi. Other business addresses of the Company is 3rd floor, 308 - 309, New Block, Pakistan Stock Exchange, I.I Chundrigar road, Karachi and G-9 & 10, Hussain trade centre, Altaf Husain 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. Accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (Act) and provisions of and directives issued under the Act. Where provisions of or directives issued under the Act differ from the IFRS Standards, the provisions of or directives issued under the Act have been followed.

Preparation of financial statements also include disclosure required by Securities Brokers (Licensing and Operations) Regulations, 2016.

### *2.2 Basis of measurement*

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

### *2.3 Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

### *2.4 Critical accounting 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 recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where assumptions and estimates are significant to the Company's financial statements or where judgment is exercised in application of accounting policies are as follows:

- Review of useful life and residual value of property and equipment (note 3.1 and 5);
- Intangible assets (note 3.2 and 6);
- Assumptions and estimates used in calculating the provision for doubtful trade debts (note 3.4 and 9);
- Revenue recognition (note 3.12 and 22); and
- Provision for taxation including deferred tax (note 3.1 and 27).

### 2.5 *New standards, amendments to standards and IFRS interpretations that are effective for the June ended June 30, 2019*

The following amendments to accounting standards are effective for the year 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 been enumerated here for brevity.

### 2.5.1 *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 the majority of requirement of IAS 39 - Financial Instruments: Recognition and Measurement (IAS 39) and covers the classification, measurement and de-recognition 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.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The accounting policies that apply to financial instruments are stated in note 3.3 to the financial statements. 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).

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 June 30, 2018 and June 30, 2017

| | *Original classification under IAS 39* | *New Classification under IFRS 9* | *Original carrying amount* | *New carrying amount* |
|---|---|---|---|---|
| | | | *------Rupees------* | |
| ***As at June 30, 2018*** | | | | |
| Long term investment | Available for sale | FVTPL | **31,658,322** | **31,658,322** |
| Long term deposits | Loans and receivable | Amortized cost | **5,264,000** | **5,264,000** |
| Short term investments | FVTPL | FVTPL | **6,068,634** | **6,068,634** |
| Trade debts | Loans and receivable | Amortized cost | **56,897,337** | **56,897,337** |
| Loans and advances | Loans and receivable | Amortized cost | **7,761,756** | **7,761,756** |
| Deposit and other receivables | Loans and receivable | Amortized cost | **5,955,351** | **5,955,351** |
| Cash and bank balances | Loans and receivable | Amortized cost | **39,622,698** | **39,622,698** |
| ***Total fiancial assets*** | | | **153,228,098** | **153,228,098** |
| *As at June 30, 2017* | | | | |
| Long term investment | Available for sale | FVTPL | 41,163,833 | 41,163,833 |
| Long term deposits | Loans and receivable | Amortized cost | 5,264,000 | 5,264,000 |
| Short term investments | FVTPL | FVTPL | 10,547,224 | 10,547,224 |
| Trade debts | Loans and receivable | Amortized cost | 52,529,892 | 52,529,892 |
| Loans and advances | Loans and receivable | Amortized cost | 582,550 | 582,550 |
| Deposit and other receivables | Loans and receivable | Amortized cost | 31,979,393 | 31,979,393 |
| Cash and bank balances | Loans and receivable | Amortized cost | 61,964,256 | 61,964,256 |
| ***Total fiancial assets*** | | | 204,031,148 | 204,031,148 |

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 June, 30 2018 and June 30, 2017:

| ***Statement of Financial Position*** | *As previously reported* | *Adjustment as per IFRS 9* | *As restated with adoption of IFRS 9* |
|---|---|---|---|
| | *------------- Rupees* | | *-------------* |
| ***As at June 30, 2018*** | | | |
| Unappropriated profit | **68,155,744** | **28,024,704** | **96,180,448** |
| Gain on remeasurement of available for sale' investments | **(28,024,704)** | **28,024,704** | - |

| | As previously reported | Adjustment as per IFRS 9 | As restated with adoption of IFRS 9 |
|---|---|---|---|
| | ------------- | Rupees | ------------- |
| *As at June 30, 2017* | | | |
| Unappropriated profit | 79,836,092 | 37,530,215 | 117,366,307 |
| Gain on remeasurement of available for sale' investments | 37,530,215 | (37,530,215) | - |
| ***Statement of Profit or Loss and Other Comprehensive Income*** | | | |
| ***For the year ended 30 June 2018*** | | | |
| Other expenses | **8,741,013** | **9,505,511** | **18,246,524** |
| Loss before taxation | **10,425,870** | **9,505,511** | **19,931,381** |
| Loss after taxation | **14,980,801** | **9,505,511** | **24,486,312** |
| Unrealized loss on remeasurement of available for sale investments | **9,505,511** | **(9,505,511)** | - |

***(ii) Hedge accounting***

IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

There is no impact of the said change on these financial statements as there is no hedge activity carried on by the Company during the year ended June 30, 2019.

***(iii) 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.

***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 rather than based on the transfer of risks and rewards. The above is generally consistent with the timing and amount of revenue the recognized in accordance with the previous policy. Therefore, the adoption of IFRS 15 which replaced IAS 18 Revenue did not have an impact on the timings and amounts of revenue recognition of the Company. Therefore, the adoption of IFRS 15 did not have an effect on the financial statements of the Company for the current as well as prior year.

### 2.6 *Amendments to standards and IFRS interpretations that are not yet effective*

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 |

*Effective from accounting period beginning on or after*

| | |
|---|---|
| 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

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

### 3.1 Property and equipment

***Owned***

These are initially stated at cost or revalued amounts. Subsequent to initial recognition these are measured at cost or revalued amounts less accumulated depreciation and impairment losses, if any. Depreciation on property and equipment is charged to income by applying the reducing balance method at the rates specified in the relevant note.

Depreciation is charged from the month in which they are available for use and on deletions up to the month of deletion. Normal repairs and maintenance are charged to profit or loss as and when incurred. Major renewals, if any, are capitalized.

The surplus on revaluation of property is reversed to the extent of incremental depreciation and is transferred to unappropriated profit.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to profit or loss during the financial year in which they are incurred.

The carrying values of property and equipment 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.

Assets are derecognized when disposed off or when no future economic benefits are expected from its use or disposal and significant risks and rewards incidental to ownership have been transferred. Gains or losses on disposal of assets, if any, are recognized in the profit or loss, as and when incurred.

*Revalued assets*

Revaluation of leasehold premises is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Any revaluation increase in the carrying amount of leasehold premises is recognized, net of tax, in other comprehensive income and presented as a separate component of equity as "surplus on revaluation of property" except to the extent that it reverses a revaluation decrease / deficit for the same asset previously recognised in the profit or loss, in which case the increase is first recognized in the profit or loss to the extent of the decrease previously charged. Any decrease that reverses previous increase of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decrease are charged to the profit or loss. The revaluation reserve is not available for distribution to the Company's shareholders. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus to unappropriated profit.

*Gains and losses on disposal of revalued assets*

Gains and losses on disposal of assets are taken to the profit or loss, and the related surplus on revaluation of property, if any, is transferred directly to unappropriated profit.

### 3.2 *Intangible assets*

*Membership Card - Pakistan Mercantile Exchange Limited*

This is stated at cost less impairment, if any. This is not amortized due to the fact that it has an indefinite useful life. Useful life can not be ascertained as it is unknown that how long member will hold the card. The carrying amount is reviewed at each statement of financial position date 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.

*Trading Rights Entitlement Certificate (TREC)*

This is initially measured at apportioned value of carrying value of surrendered card which is apportioned between TREC and Shares of PSX. Subsequent to its initial recognition, it is measured at cost less impairment, if any. impairment test is done to assess whether this is in excess of its recoverable amount, and where the carrying amount exceeds the estimated recoverable amount, the carrying amount is written down to the estimated recoverable amounts.

*Softwares*

Software are stated at cost less accumulated amortization and any identified impairment loss. Amortization on softwares is charged to income by applying straight line method at the rates specified in the relevant note. Amortization is charged from the month of acquisition of softwares, up to the month of deletion. The carrying value of softwares are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceeds the estimated recoverable amount, the softwares are written down to their recoverable amount.

### 3.3 *Financial assets and liabilities*

#### 3.3.1 *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 or amortized cost as the case may be.

### 3.3.2 *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 or 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 provided that the investment is neither held for trading nor its a contingent consideration in a business combination.

***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.

### 3.3.3 *Financial liabilities*

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

- at fair value through profit or 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.

### 3.3.4 *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 profit or loss 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. Currently, there are no financial liabilities designated at FVTPL.

### *3.3.5 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.

### *3.3.6 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.

### *3.3.7 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.

### *3.4 Trade debts*

Trade debts are recognized initially at fair value and subsequently measured at amortized cost after deducting provision for bad debts, if any. A provision for bad debts is established when there is an objective evidence that the Company will not be able to collect all amounts due from clients according to the original terms of transactions. Trade debts considered irrecoverable are written off. The receivables in respect of securities sold on behalf of clients are recorded at settlement of transactions.

### *3.5 Other receivables*

These are stated at fair value and subsequently measured at amortized cost net of provision for doubtful receivables (if any). Full provision is made against the receivables considered doubtful. Other receivables are written off when they are not recoverable.

### *3.6 Fiduciary assets*

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

### *3.7 Loans, advances and deposits*

These are carried at initially at fair value and subsequently measured at amortized cost to be received / settled. Provision is made against balances considered doubtful. Balances considered irrecoverable are written off.

### *3.8 Cash and cash equivalents*

It comprises of cash in hand and cash at bank which are carried at amortized cost. For the purpose of cash flow statements, cash and cash equivalent include cash in hand, current and deposit account held with the banks.

### *3.9 Trade and other payables*

Liabilities for creditors and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Company. Trade payables in respect of securities are recorded at settlement date of transactions.

### *3.10 Taxation*

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss, except to the extent that it relates to the items recognized directly in other comprehensive income or in equity, in which case it is recognized there.

*Current*

Provision for taxation is based on current year taxable income determined in accordance with the provisions of Income Tax Ordinance, 2001, enactive on the reporting date and only adjustment to tax payable in respect of previous 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 reporting date.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit for the foreseeable future will be available against which such temporary differences and tax losses can be utilized.

### 3.11 *Provisions*

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

### 3.12 *Revenue recognition*

*Revenue from brokerage services*

- Brokerage income and other income are recognized as and when services have been provided and performance obligations are met.

*Other revenue*

- Profit on deposits and margin financing is recognized on a time proportionate basis, with reference to the principal outstanding and at the applicable effective interest rate.

- Gain on sale of fixed assets is recorded when title is transferred in favor of the transferee.

- Dividend income is recorded when the right to receive the dividend is established.

- Unrealized gains / (losses) arising on revaluation of securities classified as 'financial assets at fair value through profit or loss are included in profit or loss in the period in which they arise.

- Gains / (losses) arising on disposal of investments are included in income currently and are recognized on the date when the transaction takes place.

- Miscellaneous income is recognized on occurrence of transactions.

### 3.13 *Staff retirement benefits*

*Employees' gratuity*

The Company operates an unfunded gratuity scheme for all its eligible employees who have completed their minimum qualifying period of service with the Company. Gratuity payable is accounted for on accrual basis. Provisions are made annually to meet the obligation on the basis of the product of employees' last drawn salary and the number of years served to date.

### 3.14 *Borrowing cost*

Borrowing cost are recognized as expense in the period in which these are incurred.

## 4 DETAILS OF RELATED PARTIES

Followings are the names of those related parties with whom the company has made transactions during the current financial year.

| *Name of related parties* | *% of holding* | *Basis of relationship* |
|---|---|---|
| Mr. Ayaz | 12.5 | Director |
| Mr. Muhammad Aman | 10 | Chief Executive |
| Mr. Abdul Razak Jandga | 11.5 | Director |
| Mr. Mohsin Adhi | 7.5 | Director |
| Mr. Muhammad Iqbal Adhi | 8.75 | Director |
| Ms. Amber | 4 | Member |
| Ms. Adila | 4 | Member |
| Ms. Anila | 4 | Member |
| Ms. Aisha | 10 | Member |
| Ms. Armila | 10 | Member |
| Mr. Abdul Qadir | - | Close family member |
| Mr. Rizwan Jandga | 1 | Member |
| Mrs. Zohra | 1.75 | Member |
| Mrs. Mehwish Adhi | - | Close family member |
| Mrs. Mumtaz Bano | - | Close family member |

## 5 PROPERTY AND EQUIPMENT

| Particulars | Owned Assets | | | | | Total |
|---|---|---|---|---|---|---|
| | Office premises lease hold* | Computers | Office equipments | Furniture and fixtures | Vehicles | |
| | Rupees | | | | | |
| ***Year ended June 30, 2019*** | | | | | | |
| Opening net book value | **19,642,624** | **1,584,910** | **1,892,263** | **1,500,944** | **76,807** | **24,697,548** |
| Additions during the year | **-** | **197,600** | **18,180** | **-** | **-** | **215,780** |
| Depreciation charge for the year | **(982,131)** | **(505,176)** | **(189,832)** | **(150,094)** | **(15,361)** | **(1,842,594)** |
| ***Closing net book value as on June 30, 2019*** | **18,660,493** | **1,277,334** | **1,720,611** | **1,350,850** | **61,446** | **23,070,734** |
| ***As at June 30, 2019*** | | | | | | |
| Revalued amount* / cost | **20,850,368** | **8,201,976** | **3,046,798** | **3,029,662** | **1,643,205** | **36,772,009** |
| Accumulated depreciation | **(2,189,875)** | **(6,924,642)** | **(1,326,187)** | **(1,678,812)** | **(1,581,759)** | **(13,701,275)** |
| ***Closing net book value as on June 30, 2019*** | **18,660,493** | **1,277,334** | **1,720,611** | **1,350,850** | **61,446** | **23,070,734** |
| ***Year ended June 30, 2018*** | | | | | | |
| Opening net book value | 24,930,696 | 1,625,204 | 2,016,922 | 1,667,716 | 96,009 | 30,336,547 |
| Additions during the year | - | 574,938 | 81,255 | - | - | 656,194 |
| ***Disposal during the year*** | | | | | | |
| Revalued amount | 4,290,000 | - | - | - | - | 4,290,000 |
| Depreciation | (177,558) | - | - | - | - | (177,558) |
| | (4,112,442) | - | - | - | - | (4,112,442) |
| Depreciation charge for the year | (1,175,631) | (615,232) | (205,914) | (166,772) | (19,202) | (2,182,751) |
| ***Closing net book value as on June 30, 2018*** | 19,642,624 | 1,584,910 | 1,892,263 | 1,500,944 | 76,807 | 24,697,548 |
| ***As at June 30, 2018*** | | | | | | |
| Revalued amount* / cost | 20,850,368 | 8,004,376 | 3,028,618 | 3,029,662 | 1,643,205 | 36,556,229 |
| Accumulated depreciation | (1,207,744) | (6,419,466) | (1,136,355) | (1,528,718) | (1,566,398) | (11,858,681) |
| ***Closing net book value as on June 30, 2018*** | 19,642,624 | 1,584,910 | 1,892,263 | 1,500,944 | 76,807 | 24,697,548 |
| ***Rate of depreciation (%)*** | 5% | 30% | 10% | 10% | 20% | |

5.1 Had there been no revaluation, the written down value of office premises would have been amounted to 8.111 (2018: Rs. 8.538) million.

5.2 On April 30, 2017, the Company carried out revaluation of its office premises under market value basis by an independent valuer, M/s. Zafar Iqbal & Company, who has determined forced sale value of lease hold office premises amounted to Rs. 14.758 million.

## 6 INTANGIBLE ASSETS

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| Trading Right Entitlement Certificate (TREC) | 6.1 | **2,500,000** | 2,500,000 |
| Membership Card of PMEX | | **250,000** | 250,000 |
| Microsoft Ggwa Olp | 6.2 | **46,235** | 61,646 |
| Online Trading Software | 6.3 | **404,663** | 531,219 |
| | | **3,200,898** | 3,342,865 |

### 6.1 *Trading Right Entitlement Certificate (TREC)*

| | 2019 | 2018 |
|---|---|---|
| Opening book value | **2,500,000** | 3,415,954 |
| Provision for impairment | **-** | (915,954) |
| Closing book value | **2,500,000** | 2,500,000 |

### 6.2 *Microsoft GGWA OLP*

| | 2019 | 2018 |
|---|---|---|
| Opening net book value | **61,646** | 77,057 |
| Amortization charge | **(15,411)** | (15,411) |
| Closing net book value | **46,235** | 61,646 |
| ***As at June 30,*** | | |
| Cost | **154,112** | 154,112 |
| Accumulated amortization | **(107,877)** | (92,466) |
| | **46,235** | 61,646 |
| ***Rate of amortization*** | **10%** | 10% |

### 6.3 *Online Trading Software*

| | 2019 | 2018 |
|---|---|---|
| Opening net book value | **531,219** | 657,775 |
| Amortization charge | **(126,556)** | (126,556) |
| Closing net book value | **404,663** | 531,219 |
| ***As at June 30,*** | | |
| Cost | **1,265,555** | 1,265,555 |
| Accumulated amortization | **(860,892)** | (734,336) |
| | **404,663** | 531,219 |
| ***Rate of amortization*** | **10%** | 10% |

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| **7 LONG TERM INVESTMENT** | | | |
| ***- At fair value through profit or loss*** | | | |
| ***In securities of listed companies*** | | | |
| ***Pakistan Stock Exchange*** | | | |
| Carrying value | | - | 41,163,833 |
| Loss on remeasurement of investment at fair value through profit or loss | | - | (9,505,511) |
| | 7.1 | - | 31,658,322 |

| | 2019 | 2018 | | | |
|---|---|---|---|---|---|
| | Number of Shares | | | | |
| 7.1 | - | 1,602,953 | Pakistan Stock Exchange Limited | - | 31,658,322 |

*7.1.1* Pursuant to the promulgation of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (The Act), the ownership rights in a Stock Exchange was segregated from the right to trade on the exchange. Accordingly, the Company received Trading Right Entitlement Certificate (TREC) in lieu of its Membership Card of PSX and 4,007,383 equity shares of PSX at face value of Rs. 10 each in the following manner;

1. 40% of the total shares allotted (i.e. 1,602,953 shares) were transferred in the House Account - CDC of each initial shareholder. These shares were pledged with PSX.

2. 60% of the total shares (i.e. 2,404,430 shares) have been deposited in a sub-account in Company's name under PSX's participant ID with CDC which were remained blocked for divestment to strategic investor(s), general public and financial institutions. These were disposed off by the PSX in financial year 2017.

Initially, in the absence of an active market of the shares of KSEL and TREC, these shares were valued by allocating the carrying value of the Membership Card of Rs. 12.5 million between the shares (financial asset) and TREC (an intangible asset) on the basis of the value of ordinary shares of KSEL and the TREC assigned by the KSEL for minimum base capital requirement purposes applicable to the Stock Exchange brokers on May 03, 2013.

After public subscription, shares of PSX were listed on June 29, 2017 at an initial price of Rs. 28 per share. Market value as on June 30, 2019 is Rs. 13 (2018 : 19.75) per share.

As on the reporting date, Company has 1,081,194 (2018: 1,081,194) shares of PSX marked as freezed by the CDC in accordance with the requirements of Sub-Regulation 1, 2 and 3 of Regulation 5 of Public Offering Regulations, 2017 promulgated by the SECP.

Subsequent to year end, on August 26, 2019, these shares have been unfreezed by the PSX due to which these have been classified in curren assets under the category of 'financial asset at fair value through profit or loss' and corresponding figures has been restated in accordance with the requirements of IFRS 9 as fully discussed in note no. 2.5.1 to these financial statements.

| 8 LONG TERM DEPOSITS | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| ***Deposits*** | | | |
| NCEL Building Management Limtied | | **2,500,000** | 2,500,000 |
| Pakistan Mercantile Exchange Limited | | **1,250,000** | 1,250,000 |
| Central Depository Company of Pakistan Limited | | **100,000** | - |
| National Clearing Company of Pakistan Limited | | **1,400,000** | 1,500,000 |
| Others | | **14,000** | 14,000 |
| | | **5,264,000** | 5,264,000 |

## 9 TRADE DEBTS

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| ***Considered good*** | | | |
| - From Chief Executive - related party | 9.1 | **3,528,256** | 5,162,678 |
| - From Directors - related parties | 9.1 | **1,669,410** | 4,493,837 |
| | 9.2 | **5,197,666** | 9,656,515 |
| - From others | 9.3 | **45,566,291** | 47,240,822 |
| | | **50,763,957** | 56,897,337 |
| ***Considered doubtful - from others*** | | **714,872** | 714,872 |
| | | **51,478,829** | 57,612,209 |
| Provision for considered doubtful | | **(714,872)** | (714,872) |
| | | **50,763,957** | 56,897,337 |

### 9.1 *Maximum aggregate amount of receivable during the year with respect to month end balance:*

| | 2019 | 2018 |
|---|---|---|
| Mr. Ayaz (Director) | **5,641,167** | 5,047,762 |
| Mr. Muhammad Aman (Chief Executive) | **6,011,892** | 5,989,878 |
| Mr. Abdul Razak Jandga (Director) | **360** | 170 |
| Mr. Mohsin Adhi (Director) | **240** | 18,113 |
| Mr. Muhammad Iqbal Adhi (Director) | **-** | 33,238 |
| Ms. Armila (Member) | **8,536,565** | 3,258,546 |
| Ms. Mumtaz Bano (Close family member) | **5,422,751** | 5,842,662 |

### 9.2 *Age analysis of trade receivables from related parties as at June 30, 2019*

| *Name of related party* | *Amount not past due* | *Amount past due* | | | | | *Total gross amount due* |
|---|---|---|---|---|---|---|---|
| | | *Past due 0-30 days* | *Past due 31-60 days* | *Past due 61-90 days* | *Past due 91-365 days* | *Past due 365 days* | |
| | ------------- | ------------- | ------------- | *Rupees* | ------------- | ------------- | ------------- |
| Mr. Ayaz (Director) | - | 1,668,641 | - | - | - | - | 1,668,641 |
| Mr. Muhammad Aman (Chief Executive) | - | 3,528,256 | - | - | - | - | 3,528,256 |
| Mr. Abdul Razak Jandga (Director) | - | - | - | - | 240 | 289 | 529 |
| Mr. Mohsin Adhi (Director) | - | - | - | - | 240 | - | 240 |
| Ms. Armila (Member) | - | 3,076,279 | 2,226,508 | 2,870,688 | 363,090 | - | 8,536,565 |
| Ms. Mumtaz Bano (Close Family Member) | - | 16,990 | - | - | - | - | 16,990 |
| | - | 8,290,166 | 2,226,508 | 2,870,688 | 363,570 | 289 | 13,751,221 |

*Age analysis of trade receivables from related parties as at June 30, 2018*

| Name of related party | Amount not past due | Amount past due | | | | | Total gross amount due |
|---|---|---|---|---|---|---|---|
| | | Past due 0-30 days | Past due 31-60 days | Past due 61-90 days | Past due 91-365 days | Past due 365 days | |
| | Rupees | | | | | | |
| Mr. Ayaz (Director) | - | 1,769,085 | 2,724,582 | - | - | - | 4,493,667 |
| Mr. Muhammad Aman (Chief Executive) | - | 739,023 | 2,323,233 | - | 2,100,422 | - | 5,162,678 |
| Mr. Abdul Razak Jandga (Director) | - | 170 | - | - | - | - | 170 |
| Ms. Armila (Member) | - | 1,189,049 | 1,036,170 | - | - | - | 2,225,219 |
| Ms. Mumtaz Bano (Close Family Member) | - | 2,791,161 | - | - | - | - | 2,791,161 |
| | - | 6,488,488 | 6,083,985 | - | 2,100,422 | - | 14,672,895 |

*9.3* Includes Rs. 0.396 (2018: Rs. 10.324) million receivable against margin financing facility offered to various clients at different Financing Participation Ratio ranging from 75% to 90% at the markup rates ranging from 9% to 12%.

| **10 LOANS AND ADVANCES** | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| ***Considered good*** | | | |
| ***- Loans*** | | | |
| - to Directors | 10.1 | **22,952,733** | 7,053,056 |
| ***- Advances*** | | | |
| - to staff | | **548,520** | 708,700 |
| | | **23,501,253** | 7,761,756 |

*10.1* The loan is provided to Mr. Muhammad Aman (Chief Executive Officer) and Mr. Ayaz Muhammad (Director) of the Company amounting to Rs. 17.658 (2018: 7.053) million and 5.295 million respectively. The loan is unsecured, interest free and recoverable on demand. Total amount of loan is recoverable, therefore no provision has been recorded. Legal formalities in pursuant of the conditions enumerated under the Companies Act, 2017 are not fulfilled relating to the payment of this loan.

| **11 DEPOSIT AND OTHER RECEIVABLES** | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| ***Deposit*** | | | |
| ***Pakistan Stock Exchange Limited*** | | | |
| - against Base Minimum Capital | 11.1 | **4,000,000** | 2,000,000 |
| ***Other receivables - considered good*** | | | |
| - from NCCPL against future profit retained | | **296,830** | 1,867,575 |
| - markup receivable against margin financing | | **3,085,280** | 1,906,681 |
| - receivable from agents | | **96,864** | - |
| - CDC charges | | **52,799** | 181,095 |
| | | **3,531,773** | 3,955,351 |
| | | **7,531,773** | 5,955,351 |

*11.1* This represents deposit maintained by the Company, as a broker, with the PSX for its eligibility to trade through the Exchange Trading Systems to be calculated / prescribed as per Schedule I to Chapter 19 of the PSX Rule Book.

## 12 SHORT TERM INVESTMENTS

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| ***- At fair value through profit or loss*** | | | |
| ***In securities of listed companies*** | | | |
| Carrying value | | **24,834,924** | 6,940,743 |
| Loss on remeasurement of investments carried at fair value through profit or loss account | | **(7,964,832)** | (872,109) |
| | 12.1 | **16,870,092** | 6,068,634 |

### *12.1 At fair value through profit or loss*

| No. of shares 2019 | No. of shares 2018 | | Market Value 2019 Rupees | Market Value 2018 Rupees |
|---|---|---|---|---|
| - | 200 | Attock Refinery Limited | - | 43,062 |
| - | 17,500 | Balochistan Glass Limited | - | 184,450 |
| - | 1,000 | Bilal Fibres Limited | - | 3,120 |
| - | 1,000 | Burshane LPG (Pakistan) Limited | - | 45,200 |
| **10,000** | 10,000 | Dewan Salman Fibre Limited | - | - |
| - | 700 | D.G. Khan Cement Company Limited | - | 80,143 |
| **40,000** | 25,500 | Engro Polymer & Chemicals Limited | **1,078,400** | 799,680 |
| - | 9,248 | Engro Polymer & Chemicals Limited-LOR | - | 81,567 |
| - | 301 | Ferozsons Laboratories Limited | - | 58,614 |
| - | 4,000 | Fauji Cement Company Limited | - | 91,400 |
| - | 5,000 | Ghani Automobile Industries Limited | - | 34,700 |
| - | 122 | Highnoon Laboratories Limited | - | 50,082 |
| **54,000** | 50,000 | Javedan Corporation Limited | **1,728,540** | 1,790,000 |
| - | 5,000 | Loads Limited | - | 155,900 |
| - | 250 | Lucky Cement Limited | - | 126,983 |
| - | 3,500 | Pak Elektron Limited | - | 124,110 |
| - | 23,000 | Pakistan International Airlines Corporation Limited - (A) | - | 94,070 |
| - | 68,000 | Pakistan International Bulk Terminal Ltd | - | 771,800 |
| - | 6,500 | Pakistan Refinery Limited | - | 225,615 |
| **1,081,194** | 25,000 | Pakistan Stock Exchange Limited | **14,055,522** | 493,750 |
| - | 2 | Pak Suzuki Motor Company Limited | - | 787 |
| - | 5,000 | Quice Food Industries Limited | - | 25,000 |
| - | 4,002 | Roshan Packages Limited | - | 112,736 |
| - | 6,000 | Siddiqsons Tin Plate Limited | - | 91,320 |
| - | 42,000 | Siddiqsons Tin Plate Limited - LOR | - | 54,600 |
| **500** | 15,500 | Treet Corporation Limited | **7,630** | 529,945 |
| **1,185,694** | 328,325 | | **16,870,092** | 6,068,634 |

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| **13 INCOME TAX REFUNDS DUE FROM GOVERNMENT** | | | |
| Income tax refundable | 13.1 | **12,287,288** | 10,214,892 |
| **13.1 Balance as on July 01,** | | **10,214,892** | 10,218,922 |
| Prior year adjustment | | **-** | (99,183) |
| Taxes paid during the year | | **2,323,268** | 4,918,971 |
| Tax liability for the year | 27 | **(250,872)** | (4,823,818) |
| **Balance as on June 30,** | | **12,287,288** | 10,214,892 |

## 14 CASH AND BANK BALANCES

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| **Cash in hand** | | **200,559** | 137,782 |
| **Cash at banks** | | | |
| **- Own** | | | |
| Current accounts | | **1,416,967** | 8,462,204 |
| PLS accounts | 14.1 | **1,615,948** | 2,215,575 |
| | | **3,032,915** | 10,677,779 |
| **- Client** | | | |
| Current accounts | | **17,937,279** | 28,807,137 |
| | | **21,170,753** | 39,622,698 |

***14.1*** This amount carries markup ranging from 6% to 10.75% (2018: 4% to 4.5%) per annum.

## 15 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

| 2019 Number of Shares | 2018 Number of Shares | | 2019 Rupees | 2018 Rupees |
|---|---|---|---|---|
| | | ***Ordinary shares of Rs.10 each*** | | |
| **4,299,000** | 4,299,000 | fully paid in cash | **42,990,000** | 42,990,000 |
| **750,000** | 750,000 | issued as bonus shares | **7,500,000** | 7,500,000 |
| **5,049,000** | 5,049,000 | | **50,490,000** | 50,490,000 |

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

### 15.2 PATTERN OF SHAREHOLDING:

| *S. No.* | *Names* | *No. of shares* | *Percentage* |
|---|---|---|---|
| *1* | Muhammad Iqbal Adhi | **441,788** | **8.75%** |
| *2* | Mohsin | **378,675** | **7.50%** |
| *3* | Muhammad Aman | **504,900** | **10.00%** |
| *4* | Ayaz | **631,125** | **12.50%** |
| *5* | Ms. Armila | **504,900** | **10.00%** |
| *6* | Ms. Aisha | **504,900** | **10.00%** |
| *7* | Abdul Razzaq Jangda | **580,635** | **11.50%** |
| *8* | Muhammad Rafiq | **504,900** | **10.00%** |
| *9* | Others having less than 5% shareholding | **997,177** | **19.75%** |
| | | **5,049,000** | **100%** |

***15.3*** No change in shareholding is made during the year.

## 16 SURPLUS ON REVALUATION OF PROPERTY

| | 2019 Rupees | 2018 Rupees |
|---|---|---|
| ***Balance as on July 01,*** | **11,104,813** | 15,769,035 |
| Transferred from revaluation reserve to unappropriated profit on account of disposal of assets | **-** | (3,875,770) |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax | **(394,221)** | (551,916) |
| Tax effect on incremental depreciation transferred to unappropriated profit | **(161,020)** | (236,536) |
| | **10,549,572** | 11,104,813 |
| ***Less: Related deferred tax liability*** | | |
| ***Opening balance*** | **(3,255,894)** | (4,730,711) |
| Effect of disposal of asset | **-** | 1,127,234 |
| Effect of change in tax rate by 1 % | **-** | 111,048 |
| Effect on incremental depreciation transferred to unappropriated profit | **161,020** | 236,536 |
| ***Closing balance*** | **(3,094,874)** | (3,255,894) |
| ***Balance as on June 30 - net of deferred tax*** | **7,454,698** | 7,848,919 |

*16.1* On April 30, 2017, the Company carried out revaluation of its office premises under market value basis by an independent valuer, M/s. Zafar Iqbal & Company, resulting in a surplus of Rs. 15,901,548, over book values which were credited to surplus on revaluation of property.

## 17 DEFERRED LIABILITIES

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| Employees' gratuity | 17.1 | **3,376,591** | 3,452,841 |
| Deferred tax liability | 17.2 | **-** | 3,647,025 |
| | | **3,376,591** | 7,099,866 |

### *17.1 Employees' Gratuity*

| | 2019 Rupees | 2018 Rupees |
|---|---|---|
| Opening balance | **3,452,841** | 2,849,991 |
| Provision for the year | **569,750** | 602,850 |
| Payment during the year | **(646,000)** | - |
| | **3,376,591** | 3,452,841 |

### *17.2 Deferred tax liability comprises of the following: -*

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| ***Taxable temporary differences*** | | | |
| Accelerated tax depreciation | | **4,711,722** | 4,826,134 |
| ***Deductible temporary differences*** | | | |
| Provision for employees gratuity | | **(974,910)** | (976,861) |
| Provision for doubtful debts | | **(206,402)** | (202,248) |
| Investments at fair value through profit or loss | | **(99,917)** | - |
| Tax losses | 17.2.1 | **(5,963,752)** | - |
| | | **(7,244,981)** | (1,179,109) |
| Deferred tax asset | | **(2,533,259)** | - |
| Deferred tax asset not recognized | 17.2.2 | **2,533,259** | (1,179,109) |
| | | **-** | 3,647,025 |

| *17.2.1 Breakup of unused tax losses and tax credits is as follows:* | | ***2019 Rupees*** | *2018 Rupees* |
|---|---|---|---|
| ***Normal business losses*** | ***Expiry Date*** | | |
| Tax year 2019 | June 30, 2025 | **(5,541,236)** | - |
| ***Unabsorbed tax depreciation*** | Indefinite | **(366,674)** | - |
| ***Capital loss*** | June 30, 2022 | **(55,842)** | - |
| | | **(5,963,752)** | - |

*17.2.2* Deferred tax asset as at reporting date to the extent of Rs. 2.533 million (2018: Rs. nil) has not been recognized because of the inherent uncertainties in forecasts of sufficient taxable profits in foreseeable future against which such benefits can be utilized.

| *18 LONG TERM DEPOSITS* | *Note* | ***2019 Rupees*** | *2018 Rupees* |
|---|---|---|---|
| Client deposits | 18.1 | - | 518,384 |

*18.1* During the year, the company has repaid the deposits to its customers.

## *19 TRADE AND OTHER PAYABLES*

| | | | |
|---|---|---|---|
| Trade payable | 19.1 | **17,937,279** | 28,807,137 |
| Accrued liabilities | | **619,450** | 219,548 |
| Withholding tax payable | | **45,756** | 79,606 |
| Sindh sales tax on services payable | | **117,718** | 138,580 |
| | | **18,720,203** | 29,244,871 |

*19.1* This includes Rs. 236,313 (2018: Rs. 332) payable to related parties.

## *20 SHORT TERM BORROWING*

| | | | |
|---|---|---|---|
| ***From banking companies*** | | | |
| ***- Secured and interest bearing*** | | | |
| Running finance | 20.1 | **4,022,738** | - |

*20.1* The Company has available running finance facility of Rs. 100 (2018: Rs. 100) million at markup of 1 month KIBOR plus 2% from a banking company to meet working capital requirements. At period end, the unavailed facility amounted to Rs. 95.99 (2018: Rs. 100) million.

*20.4* ***These facilities are secured against: -***

- Equitable mortgage over fololowing (6) properties of the Company with SECP registered charge.

  *a)* **G-9 and G-10**, Ground Floor, Hussain Trade Center, Plot No. 7, Sheet No. Sr-6, Serai Quarters ,Shahrah-E-Altaf, Karachi.

  *b)* **Office # 303 and 610**, 3rd Floor and 6th Floor, Land Mark Plaza, Plot Survey No. 1/8, Sheet No. Sr-13, Serai Quarters, Karachi.

  *c)* **Shop No 314 and 315**, located at 3rd floor inn the building known as Star City constructed at Plot No 73, N.I Lines Karachi cantonment, Karachi.

- Pledge of shares against the banking facilities in CDC account amounting to Rs. 43,374,390 out of which Rs. 43,125,064 belong to customers. These are considered with a minimum margin of 35% on shares as per bank's approved list.

- Personal guarantees of all the Directors of the Company.

## 21 CONTINGENCIES AND COMMITMENTS

### 21.1 Contingencies

*21.1.1* The Company has not recorded provision for Workers' Welfare Fund for the year ended June 30, 2014 amounting to Rs. 218,490 respectively on the ground that issue of chargeability of WWF on such companies is under litigation before the Honourable High Court of Sindh, whereby stay has been granted to various companies. However, the Company itself has not challenged the levy in the Court and may be required to pay the amount in case tax authorities issue any order in this respect.

### 21.2 Commitments

Commitments against unrecorded transactions executed before the year end having settlement date subsequent to year end are as follows:

| | 2019<br>Rupees | 2018<br>Rupees |
|---|---|---|
| For purchase of shares - ready market | **17,886,715** | 38,442,020 |
| For sale of shares - ready market | **37,083,761** | 28,294,997 |
| For purchase of shares - future counter | **96,473,570** | 13,824,755 |
| For sale of shares - future counter | **94,172,115** | 14,777,230 |

*21.2.1* The Company has given irrevocable financial bank guarantee in favor of National Clearing Company of Pakistan amounting to Rs. 15 (2018: Rs. 15) million. The available and unavailed balance as on June 30, 2019 amounting to Rs. 29 (2018: Rs. 33) million of which Rs. 14 (2018: Rs. 18) million respectively.

## 22 OPERATING REVENUE

| | Note | 2019<br>Rupees | 2018<br>Rupees |
|---|---|---|---|
| Commission income - gross | | **26,977,463** | 32,329,447 |
| Less: Sindh sales tax on services | | **(3,103,601)** | (3,738,152) |
| | | **23,873,862** | 28,591,295 |
| Less: Commission paid to agents | | **(4,850,926)** | (5,571,972) |
| | 22.1 | **19,022,936** | 23,019,323 |

*22.1* This represents brokerage income earned from individual customers.

## 23 OPERATING AND ADMINISTRATIVE EXPENSES

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| Salaries, allowances and other benefits | 23.1 | **10,238,501** | 11,642,580 |
| Directors' remuneration | 28 | **5,560,000** | 5,220,000 |
| Postage and telephone | | **980,075** | 1,154,986 |
| Fees and subscription | 23.2 | **987,975** | 1,743,111 |
| Depreciation | 5 | **1,842,594** | 2,182,751 |
| Amortization | 6.1 | **141,967** | 141,967 |
| Electricity charges | | **699,240** | 715,290 |
| Computer expenses | | **732,812** | 712,936 |
| Traveling expenses | | **59,998** | 57,925 |
| Legal and professional charges | | **-** | 190,080 |
| Repairs and maintenance expenses | | **193,904** | 221,170 |
| CDC charges | | **1,343,009** | 1,457,377 |
| Printing and stationery expenses | | **66,185** | 93,439 |
| Entertainment expenses | | **197,236** | 225,263 |
| Insurance expense | | **37,417** | 37,417 |
| Advertisement expenses | | **-** | 73,600 |
| NCCPL charges | | **450,298** | 462,437 |
| Water and sewerage | | **19,420** | 22,167 |
| | | **23,550,631** | 26,354,496 |

*23.1* Includes provision for gratuity amounting to Rs. 569,750 (2018 : Rs. 602,850).

*23.2* Includes Rs. 99,108 paid to Nazir High Court in respect of an interim order passed by the Honourable High Court of Sindh in a civil suit bearing no. 1722 of 2018 challenging the increase in fee for services provided by the Pakistan Stock Exchange Limited to the Company.

## 24 FINANCE COST

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| Bank charges | | **415,307** | 300,812 |
| Mark-up on running finance | | **2,915,940** | 1,305,324 |
| | | **3,331,247** | 1,606,136 |

## 25 OTHER EXPENSES

| | Note | 2019 | 2018 Restated |
|---|---|---|---|
| Auditors' remuneration | 25.1 | **547,860** | 772,020 |
| Research and development charges | | **3,768,626** | 2,689,400 |
| Impairment of Trading Rights Entitlement | 6.1 | **-** | 915,954 |
| Remeasurement loss on investments carried at fair value through profit or loss | 12 | **7,964,832** | 10,377,620 |
| Capital loss on disposal of investments | | **2,923,212** | 2,996,430 |
| Loss on disposal of fixed asset | | **-** | 262,442 |
| Miscellaneous expenses | | **170,342** | 232,659 |
| | | **15,374,872** | 18,246,524 |

### *25.1 Auditors' remuneration*

| | 2019 | 2018 |
|---|---|---|
| Statutory audit | **170,000** | 150,000 |
| Out of pocket | **10,000** | 7,500 |
| Other services | **367,860** | 614,520 |
| | **547,860** | 772,020 |

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

## 26 OTHER INCOME

| | 2019 Rupees | 2018 Rupees |
|---|---|---|
| ***- from financial assets*** | | |
| Mark up on PLS deposit accounts | **112,868** | 79,029 |
| Mark up on PSX deposits | **749,090** | 383,120 |
| Mark up against margin financing | **1,178,599** | 1,906,681 |
| Dividend from Pakistan Stock Exchange Limited | **73,974** | 641,926 |
| | **2,114,531** | 3,010,756 |
| ***- from other than financial assets*** | | |
| Commission on Book Building - IPO | **18,958** | 245,696 |
| | **2,133,489** | 3,256,452 |

## 27 TAXATION - NET

| | 2019 Rupees | 2018 Rupees |
|---|---|---|
| Current | **250,872** | 4,823,818 |
| Prior | **-** | 99,183 |
| Deferred | **(3,647,025)** | (368,070) |
| | **(3,396,153)** | 4,554,931 |

*27.1* Returns for the tax year up to 2018 have been filed, which are deemed to be assessment order under provisions of the Income Tax Ordinance, 2001, however the CIT has power to re-assess any of the five preceding tax years.

## 28 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

| | 2019 Rupees | 2018 Rupees |
|---|---|---|
| ***To Chief Executive Officer (One)*** | | |
| Managerial remuneration | **720,000** | 720,000 |
| House rent | **240,000** | 240,000 |
| Conveyance allowance | **120,000** | 120,000 |
| Utilities | **120,000** | 120,000 |
| | **1,200,000** | 1,200,000 |
| ***To Directors (Four)*** | | |
| Managerial remuneration | **2,616,000** | 2,412,000 |
| House rent | **872,000** | 804,000 |
| Conveyance allowance | **436,000** | 402,000 |
| Utilities | **436,000** | 402,000 |
| | **4,360,000** | 4,020,000 |
| **Total** | **5,560,000** | 5,220,000 |

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| **29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** | | | |
| **29.1 Financial Instrument by Category** | | | |
| *Financial Asset* | | | |
| *- At amortized cost* | | | |
| Long term deposits | 8 | **5,264,000** | 5,264,000 |
| Trade debts | 9 | **50,763,957** | 56,897,337 |
| Loans and advances | 10 | **23,501,253** | 7,761,756 |
| Deposit and other receivables | 11 | **7,531,773** | 5,955,351 |
| Cash and bank balances | 14 | **21,170,753** | 39,622,698 |
| | | **108,231,736** | 115,501,142 |
| *- Fair value through profit or loss* | | | |
| Short term investments | 12 | **16,870,092** | 6,068,634 |
| | | **125,101,828** | 153,228,098 |
| *Financial Liabilities* | | | |
| *- At amortized cost* | | | |
| Long term deposits | 18 | **-** | 518,384 |
| Trade and other payables | 19 | **18,556,729** | 29,026,685 |
| Short term borrowing | 20 | **4,022,738** | - |
| Mark up accrued | | **726,021** | 100,915 |
| | | **23,305,488** | 29,645,984 |

### 29.2 *Financial risk management*

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk market risk (interest / mark-up rate risk and price risk) and credit 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 risks without any material change from previous period in the manner described in the notes below.

The Company has exposures to the following risks from its use of financial instruments: -

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The Board of Directors 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.

### 29.3 *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.

***Exposure to credit risk***

Credit risk of the Company arises principally out of receivables from customers, deposits, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their worth and proper margin are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery. The management also carries out necessary steps for security of Company's treasury.

The carrying amounts of financial assets represent the maximum credit exposure, as specified below:-

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| Long term deposits | 8 | **5,264,000** | 5,264,000 |
| Trade debts | 9 | **50,763,957** | 56,897,337 |
| Loans and advances | 10 | **23,501,253** | 7,761,756 |
| Deposit and other receivables | 11 | **7,531,773** | 5,955,351 |
| Bank balances | 14 | **20,970,194** | 39,484,916 |
| | | **108,031,177** | 115,363,360 |

***29.3.1 Ageing of trade debts and impairment losses***

***The aging of trade debts at reporting date was:-***

| | 2019 | 2018 |
|---|---|---|
| Past due 1-5 days | **15,467,690** | 6,287,924 |
| Past due more than 5 days | **36,011,139** | 51,324,285 |
| Impaired - more than 5 days | **(714,872)** | (714,872) |
| | **35,296,267** | 50,609,413 |
| | **50,763,957** | 56,897,337 |
| Securities available for overdue receivables of more than 5 days after applying VAR based haircut | **375,548,849** | 349,049,507 |

Based on the consideration of financial position and subsequent recovery / adjustment through trades, the Company believes that provision made for trade debts past due for more than 5 days is adequate and for rest of the receivables, the Company considers the amount to be fully recoverable and therefore, no further provision is made in these financial statements.

***29.3.2 Credit Rating of Company's Banks***

The credit quality of Company's bank balances can be assessed with reference to external credit rating as follows: -

| *Name of Banks* | *Rating Agency* | *Credit Rating* | |
|---|---|---|---|
| | | *Short term* | *Long term* |
| Bank Alfalah Limited | PACRA | A1+ | AA+ |
| MCB Bank Limited | PACRA | A1+ | AAA |
| NIB Bank Limited | PACRA | A1+ | AA- |
| JS Bank Limited | PACRA | A1 + | AA- |
| Habib Metropolitan Bank Limited | PACRA | A1+ | AA+ |
| Habib Bank Limited | JCR-VIS | A1+ | AAA |
| United Bank Limited | JCR-VIS | A1+ | AAA |

29.3.3 Other financial assets do not require any provision as these mainly comprise of balances recoverable from the regulators.

### 29.4 *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, working capital and running finance facility from banks with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The following are the contractual maturities of financial liabilities, including estimated interest payments:-

| | 2019 | | | |
|---|---|---|---|---|
| | Carrying Amount | Contractual cash out flows | Up to one year | More than one year |
| | Rupees | | | |
| **Financial liabilities** | | | | |
| Trade and other payables | 18,556,729 | 18,556,729 | 18,556,729 | - |
| Mark up accrued | 726,021 | 726,021 | 726,021 | - |
| Short term borrowing | 4,022,738 | 4,022,738 | 4,022,738 | - |
| | 23,305,488 | 23,305,488 | 23,305,488 | - |

| | 2018 | | | |
|---|---|---|---|---|
| | Carrying Amount | Contractual cash out flows | Up to one year | More than one year |
| | Rupees | | | |
| *Financial liabilities* | | | | |
| Long term deposits | 518,384 | 518,384 | - | 518,384 |
| Trade and other payables | 29,026,685 | 29,026,685 | 29,026,685 | - |
| Mark up accrued | 100,915 | 100,915 | 100,915 | - |
| | 29,645,984 | 29,645,984 | 29,127,600 | 518,384 |

### 29.5 *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. 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:

#### 29.5.1 *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.

#### 29.5.2 *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.

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

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | *Effective interest rate (%)* | | *Carrying amounts* | |
| | | | Rupees | Rupees |
| ***Financial assets*** | | | | |
| Bank Balances | **6 % to 10.75 %** | 4 % to 4.5 % | **1,615,948** | 2,215,575 |
| ***Financial Liabilities*** | | | | |
| Short term bank borrowings | **1 month KIBOR + 2%** | 1 month KIBOR + 2% | **4,022,738** | - |

***Cash flow sensitivity***

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit and equity for the year by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on same basis for 2018.

| | *Profit and loss 100 bp* | |
|---|---|---|
| | *Increase* | *Decrease* |
| ***As at June 30, 2019*** | | |
| Cash flow sensitivity | **(24,068)** | **24,068** |
| *As at June 30, 2018* | | |
| Cash flow sensitivity | 22,156 | (22,156) |

#### 29.5.3 *Price risk*

Price risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest 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 similar financial instruments traded in the market.

***Sensitivity analysis***

At reporting date, if the market prices of each security held by the Company as short term and long term investments had increased / decreased by Rupee 1 with all other variables remain constant, total comprehensive income and equity would have been higher / (lower) by the amount shown below. The analysis is performed on same basis for 2018.

| | *Profit or loss* | |
|---|---|---|
| | *Increase* | *Decrease* |
| ***As at June 30, 2019*** | | |
| At fair value through profit or loss | **1,185,694** | **(1,185,694)** |
| *As at June 30, 2018* | | |
| At fair value through profit or loss | 328,325 | (328,325) |

### 29.6 *Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with processes technology and infrastructure supporting the company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risk is a risk arising from the company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. The responsibility encompasses the controls in the following areas:

*i* Requirements for appropriate segregation of duties between various functions, roles and responsibility;
*ii* Requirements for the reconciliation and monitoring of transactions;
*iii* Compliance with regulatory and other legal requirements;
*iv* Documentation of control and procedures;
*v* Requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified;
*vi* Ethical and business standards;
*vii* Risk mitigation, including insurance where this is effective.

### 29.7 *Risk management policies*

Risk management is carried out by the management under policies approved by board of directors. The board provides principles for overall risk management, as well as policies covering specific areas like market price risk, interest rate risk and investing excessive liquidity.

### 29.8 *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 activities and to 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.

Capital is monitored on the basis of gearing ratio. This is calculated as net debt divided by total capital plus net debt. Net debt is calculated as total borrowing from financial institutions plus accrued markup less cash and bank balances.

| | ***2019*** | *2018* |
|---|---|---|
| | ***Rupees*** | *Rupees* |
| Total borrowing | **4,022,738** | - |
| Accrued markup | **726,021** | 100,915 |
| Less: Cash and bank balances | **(21,170,753)** | (39,622,698) |
| **Net debt** | **(16,421,994)** | (39,521,783) |
| **Shareholders' equity** | **136,815,195** | 154,519,367 |
| **Net debt and equity** | **120,393,201** | 114,997,584 |
| **Gearing ratio** | **0.0%** | 0.0% |

Company has sufficient funds exceeding its total borrowings, therefore the gearing is shown as nil.

### 29.9 *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 at arm's length transaction.

***Fair value hierarchy***

In accordance with the requirements of IFRS 13 Fair value measurement, the Company classifies its property and investments in terms of following fair value hierarchy:

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

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

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

Details of the Company's property and investments in terms of fair value hierarchy, explained above, at June 30, 2019 is as follows:

| | *Level 1* | *Level 2* | *Level 3* |
|---|---|---|---|
| | | *Rupees* | |
| ***Assets measured at fair value*** | | | |
| Operating fixed assets - Office premises | - | - | 18,660,493 |
| Short term investments - FVTPL | **16,870,092** | - | - |
| | **16,870,092** | - | 18,660,493 |

## 30 *RELATED PARTY TRANSACTIONS*

Related parties comprise of directors and key management personnel. Year end balances of related parties are disclosed in the relevant notes to these financial statements. Details of remuneration and perquisites paid to Chief Executive and Directors during the year are disclosed in note - 27. Transactions with related parties are as follows:

| | ***2019*** | *2018* |
|---|---|---|
| | ***Rupees*** | *Rupees* |
| ***Names of related party / Nature of transactions*** | | |
| ***Chief Executive and Directors*** | | |
| Sales of shares on behalf of Chief Executive | **6,202,142** | 20,574,963 |
| Sales of shares on behalf of Directors | **15,768,619** | 14,020,209 |
| Purchases of shares on behalf of Chief Executive | **31,051,054** | 20,111,297 |
| Purchases of shares on behalf of Directors | **12,890,983** | 15,166,829 |
| Commission earned from brokerage transactions with Chief Executive | **85,547** | 39,211 |
| Commission earned from brokerage transactions with Directors | **201,218** | 36,737 |
| Loan repaid by Director | **6,129,666** | - |
| Loan paid to Directors | **22,029,343** | 7,053,056 |

| | 2019<br>Rupees | 2018<br>Rupees |
|---|---|---|
| *Close Family Members* | | |
| Salary paid to close family members | **1,224,000** | 1,224,000 |
| Commission earned from brokerage transactions with close family members | **358,896** | 176,361 |
| Sales of shares on behalf of close family members | **47,937,522** | 91,954,671 |
| Purchases of shares on behalf of close family members | **44,749,172** | 94,242,024 |

## 31 CAPITAL ADEQUACY LEVEL

| | | |
|---|---|---|
| Total Assets | **163,660,748** | 191,483,403 |
| Less: Total Liabilities | **(26,845,553)** | (36,964,036) |
| Less: Surplus on revaluation of property | **(7,454,698)** | (7,848,919) |
| **Capital Adequacy Level** | 129,360,497 | 146,670,448 |

*31.1* Disclosure has been provided in pursuant of the requirements of 'Limit on Assets Under Custody Regime' read with Regulation 6.8 of CDC regulations.

## 32 GENERAL

*32.1* Figures have been rounded off to the nearest Rupee.

*32.2* Number of employees as at reporting date and average number of employees during the year were 36 (2018: 40) and 38 (2018: 38) respectively.

*32.3* As at reporting date, securities held in the name of sub-account holders (clients) amounted to Rs. 826.673 (2018: Rs. 1,116.381) million comprising of 73,685,297 (2018: 62,769,205) shares.

## 33 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 1 3 SEP 2019 by the Board of Directors of the Company.

*Chief Executive*

*Director*