Russell Bedford

Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

Sakarwala Securities (Private) Limited
Financial Statements
For the year ended
June 30, 2019

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Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the members of Sakarwala Capital Securities (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Sakarwala Capital Securities (Private) Limited** (the Company), which comprise the statement of financial position as at **June 30, 2019**, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information ('the financial statements'), and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **June 30, 2019** and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as à going concern.

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

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

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Rahman Sarfaraz Rahim Iqbal Rafiq
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Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;

d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980),

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

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

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Karachi

Date: 25 SEP 2019

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

	Note	2019	2018
EQUITY AND LIABILITIES		——— Rupees ———	
Share capital and reserve			
Authorized capital	5	**50,000,000**	50,000,000
Issued, subscribed and paid-up capital	5	**50,000,000**	50,000,000
Revenue reserve			
Unappropriated profit		**56,376,503**	59,926,200
Surplus on revaluation of investment carried at fair value through other comprehensive income		**7,518,620**	20,363,553
		63,895,123	80,289,753
Capital reserve			
Capital contribution from director	6	**2,720,820**	2,720,820
		116,615,943	133,010,573
Non-current liabilities			
Subordinated loan from director	6	**4,660,812**	4,335,639
Current liabilities			
Trade and other payables	7	**27,203,878**	36,084,850
Total equity and liabilities		**148,480,633**	173,431,062
Contingencies and commitments	8	-	-
ASSETS			
Non-current assets			
Property and equipment	9	**817,523**	1,027,667
Investment property	10	**1,535,095**	2,646,715
Intangible assets	11	**3,250,000**	3,250,000
Long term deposits	12	**4,010,000**	6,110,000
Long term investment	13	**24,738,389**	37,583,322
		34,351,007	50,617,704
Current assets			
Trade debts	14	**11,138,625**	5,648,450
Receivable against margin financing		**18,704,946**	29,233,713
Advances, trade deposits and other receivables	15	**2,746,452**	2,595,560
Tax refund due from government - net		**14,233,795**	12,488,911
Bank balances	16	**67,305,808**	72,846,724
		114,129,626	122,813,358
Total assets		**148,480,633**	173,431,062

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHIEF EXECUTIVE

G.M. Sakarwala
DIRECTOR

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

	Note	2019	2018
		Rupees	
Operating revenue	*17*	**12,821,779**	12,679,043
Administrative expenses	*18*	**(17,306,056)**	(23,211,447)
Financial charges	*19*	**(335,276)**	(225,273)
		(17,641,332)	(23,436,720)
Other income	*20*	**1,398,989**	280,608
Loss before taxation		**(3,420,564)**	(10,477,069)
Taxation	*21*	**(177,760)**	(3,458,171)
Loss after taxation		**(3,598,324)**	(13,935,240)
Loss per share - basic and diluted	*22*	**(7.20)**	(27.87)

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHIEF EXECUTIVE

G.H. Sakarwala

DIRECTOR

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

	2019	2018
	Rupees	
Loss after taxation	**(3,598,324)**	(13,935,240)
Other comprehensive income		
Item which will not be reclassified subsequently to profit and loss		
Unrealized loss on remeasurement of investment carried at fair value through other comprehensive income	**(12,844,933)**	(12,068,620)
Total comprehensive loss for the year	**(16,443,257)**	(26,003,860)

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHIEF EXECUTIVE

G.M. Sakalwala
DIRECTOR

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

	Issued, subscribed and paid up capital	Revenue reserve: Unappropriated profit	Revenue reserve: Surplus / (Deficit) on remeasurement of investment carried at fair value through OCI	Capital reserve: Capital contribution from the Director	Total reserves	Total equity
	Rupees					
Balance as at July 1, 2017	50,000,000	73,861,440	32,432,173	-	106,293,613	156,293,613
Total comprehensive income for the year ended June 30,2017						
- Loss after taxation	-	(13,935,240)	-	-	(13,935,240)	(13,935,240)
- Other comprehensive loss	-	-	(12,068,620)	-	(12,068,620)	(12,068,620)
	-	(13,935,240)	(12,068,620)	-	(26,003,860)	(26,003,860)
Transactions with owners						
Effect of discounting of long term loan from directors	-	-	-	2,720,820	2,720,820	2,720,820
Balance as at June 30, 2018	50,000,000	59,926,200	20,363,553	2,720,820	83,010,573	133,010,573
Balance as at July 1, 2018 (as previously reported)	**50,000,000**	**59,926,200**	**20,363,553**	**2,720,820**	**83,010,573**	**133,010,573**
Effect of adoption of new accounting standards (Note 4)	-	48,627	-	-	48,627	48,627
Balance as at July 1, 2018 (restated)	**50,000,000**	**59,974,827**	**20,363,553**	**2,720,820**	**83,059,200**	**133,059,200**
Total comprehensive loss for the year ended June 30, 2019						
- Loss after taxation	-	(3,598,324)	-	-	(3,598,324)	(3,598,324)
- Other comprehensive loss	-	-	(12,844,933)	-	(12,844,933)	(12,844,933)
	-	(3,598,324)	(12,844,933)	-	(16,443,257)	(16,443,257)
Balance as at June 30, 2019	**50,000,000**	**56,376,503**	**7,518,620**	**2,720,820**	**66,615,943**	**116,615,943**

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

SAKARWALA CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(3,420,564)	(10,477,069)
Adjustments for :		
Depreciation	1,321,764	2,669,197
Provision for doubtful debts	127,155	-
Impairment on TREC	-	2,500,000
Financial charges	335,276	225,273
	1,784,195	5,394,470
Operating loss before working capital changes	(1,636,369)	(5,082,599)
Changes in working capital:		
Increase / decrease in current assets		
- Trade debts & receivable against margin financing	4,960,064	11,209,608
- Advances, trade deposits and other receivables	(150,892)	4,703,585
Decrease in current liabilities		
- Trade and other payables	(8,880,972)	(2,502,528)
Cash (used in) / generated from operations	(5,708,169)	8,328,066
Financial charges paid	(10,103)	(18,814)
Income tax paid	(1,922,644)	(2,294,062)
Long term deposit - net	2,100,000	15,500,000
Net cash (used in) / generated from operating activities	(5,540,916)	21,515,190
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	-	(28,150)
Purchase and sale of investments - net	-	(8,488,103)
Net cash used in investing activities	-	(8,516,253)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net (decrease) / increase in cash and cash equivalents	(5,540,916)	12,998,937
Cash and cash equivalents at beginning of the year	72,846,724	59,847,787
Cash and cash equivalents at end of the year	67,305,808	72,846,724

The annexed notes from 1 to 28 form an integral part of these financial statements.

G.H. Sakarwala

CHIEF EXECUTIVE | **DIRECTOR**

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

1 STATUS AND NATURE OF BUSINESS

Sakarwala Capital Securities (Private) limited ("Company") was incorporated as a private limited company in Pakistan on 28th April 2008 under the repealed Companies Ordinance, 1984 ('the Ordinance') which has now been replaced by Companies Act, 2017 ('the Act').

The Company is a holder of Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited and member of Pakistan Mercantile Exchange Limited. The principal activities of the Company are investments, share brokerage, Initial Public Offer (IPO) underwriting, investment and portfolio management. The Company's registered office is situated at Room No. 3rd floor, Stock Exchange Building, Pakistan Stock Exchange Road, Karachi.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for investments classified as 'fair value through other comprehensive income' which are measured at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognized in the periods in which the estimates are revised and in any future periods affected. Significant estimates, assumptions and judgements are disclosed in the relevant accounting policies and notes to these financial statements.

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Following are some significant areas where management used estimates and judgements other than those which have been disclosed elsewhere in these financial statements.

	Note
- Useful lives and residual values of property and equipment.	*4.1*
- Useful lives and residual values of intangible assets.	*4.2*
- Valuation of investment property.	*4.3*
- Provision for taxation	*4.11*

2.5 New accounting pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 CHANGES IN ACCOUNTING POLICY

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

3.1 IFRS 9 'Financial Instruments'

IFRS 9 - Financial Instruments (IFRS 9) 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 recognised 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.

In respect of retrospective application of IFRS 9, the Company has adopted modified retrospective approach as, permitted by this standard, according to which the Company is not required to restate the prior year results. The Company has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity.

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

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

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

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

Financial assets	Original classification as per IAS 39	New classification as per IFRS 9	Carrying amount as per IAS 39 as on June 30, 2018	Carrying amount on initial adoption of IFRS 9 on July 1, 2018	Effect on July 01, 2018 on Retained Earning
Long term Investemnt	AFS	FVOCI	37,583,322	37,583,322	-
Long term deposits	LR	AC	6,110,000	6,110,000	-
Trade debts	LR	AC	5,648,450	5,697,077	(48,627)
Receivable against margin financing	LR	AC	29,233,713	29,233,713	-
Advances, trade deposits and other	LR	AC	2,595,560	2,595,560	
Bank balances	LR	AC	67,305,808	72,846,724	

- "LR" is loans and receivables
- "AFS" is available for sale
- "HFT" is held for trading
- "FVTOCI" is fair value through other comprehensive income
- "AC" is amortised cost

ii) Impairment of financial assets

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

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

- 12 - months ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: These are ECLs that result from all possible default events over the expected life of a financial instrument.

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

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity and the cash flows that the Company expects to receive).

Presentation of impairment

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

Impact of the new impairment model

For assets within the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for impairment under IAS 39 as at June 30, 2018	Remeasurement	ECL under IFRS 9 as at July 01, 2018
Provision for doubtful debts - Trade debts	2,839,653	(48,627)	2,791,026

3.2 **IFRS 15 - Revenue from contracts with customers**

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 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services. However, the adoption of IFRS 15 does not have any impact on the reported revenue of the Company for the year ended June 30, 2019.

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property and equipment

Items of property and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset including borrowing costs.

Where major components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Subsequent costs are included in the carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss account during the year in which they are incurred.

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

Depreciation is charged to the statement of profit or loss account using reducing balance method at the rates given in note 9. Depreciation on additions is charged from date asset is in location and condition for it to be capable to be operated in the manner as intended by management and ceases on the date of disposal.

4.2 Intangible assets

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

Trading Rights Entitlement Certificate (TREC)

This is stated at cost less impairment, if any. The carrying amount is reviewed at each reporting date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

4.3 Investment property

Investment property, which is property held to earn rentals and for capital appreciation, is measured initially at its cost, including transaction costs. Investment properties are subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to profit or loss account using reducing balance method whereby the cost of the asset less its estimated residual value is written off over the estimated useful life at 42%.

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The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each reporting date.

4.4 Impairment of non-financial assets

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

4.5 Financial assets

4.5.1 Classification and initial measurement

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

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

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets at FVOCI

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

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

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

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

(c) Financial assets at FVTPL

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

Such financial assets are initially measured at fair value.

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4.5.2 *Subsequent measurement*

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets at FVOCI

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

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

(c) Financial assets at FVTPL

These assets are subsequently measured at fair value.

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

4.5.3 *Impairment*

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

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

4.5.4 *De-recognition*

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

4.6 Financial liabilities

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

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

4.7 Offsetting of financial instruments

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

4.8 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Provision is made on the basis of lifetime ECLs that result from all possible default events over the expected life of the trade debts and other receivables. Bad debts are written off when considered irrecoverable.

4.9 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash in hand and balance with banks.

4.10 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

4.11 Taxation

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

Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is recognised using balance sheet liability method, providing for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.12 Provisions

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

4.13 Revenue recognition

- Brokerage income is recognised such services are provided.
- Return on bank deposits is recognized at effective yield on time proportion basis.
- Dividend income is recorded when the right to receive the dividend is established.

5 AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2019	2018		2019	2018
----Number of shares----			---------- Rupees----------	
		Authorized Capital:		
500,000	500,000	Ordinary shares of Rs. 100/- each	**50,000,000**	50,000,000
		Issued, subscribed and paid-up :		
500,000	500,000	Ordinary shares of Rs. 100/- each issued as fully paid in cash	**50,000,000**	50,000,000

5.1 Shareholders holding more than 5% of the shares are as follows:

	2019		2018	
	Number of shares	**% shareholding**	Number of shares	% shareholding
Ghulam Mustufa	**90,000**	18.00%	90,000	18.00%
Aziza Bano	**32,500**	6.50%	32,500	6.50%
Ghulam Mujtuba	**170,500**	34.10%	170,500	34.10%
Munir Sakarwala	**90,000**	18.00%	90,000	18.00%
Ghulam Murtuza	**58,500**	11.70%	58,500	11.70%
Ghulam Mohammad	**58,500**	11.70%	58,500	11.70%
	500,000		500,000	

5.2 There is no agreement with shareholders with respect to voting rights, board selection, rights of first refusal and block voting.

6 SUBORDINATED LOAN FROM DIRECTOR

	2019	2018
	---------Rupees----------	
Opening balance	**4,335,639**	6,850,000
Effect of discounting of the loan credited to equity	**-**	(2,720,820)
Effect of unwinding of the loan during the year	**325,173**	206,459
Closing balance	**4,660,812**	4,335,639

6.1 In 2016, the Company received, from its Director, loan amounting to Rs. 6.85 million which was classified under current liability as the loan was repayable on demand. In 2017, the Company and director undertake to convert this loan as subordinated loan through agreement. The loan is interest free and repayable in 7 years i-e on October 2024. Since the loan is interest-free and has deferred settlement terms, therefore in accordance with the requirements of Technical Release 32 Accounting Directors' Loan issued by the Institute of Chartered Accountants of Pakistan, it has been discounted to its present value at a market rate of interest for a similar debt instrument i-e 7.5%.

		2019	2018
7	**TRADE AND OTHER PAYABLES**	---------Rupees----------	
	Creditors	**25,297,959**	34,702,129
	Accrued expenses	**886,251**	454,451
	Others	**1,019,668**	928,270
		27,203,878	36,084,850

8 CONTINGENCIES AND COMMITMENTS

As of the reporting date, no contingencies were known to exist (2018: None).

9 PROPERTY AND EQUIPMENT

	Land	Office equipment	Furniture & fixture	Electric equipments	Vehicles	Computers	Total
	----	----	----	Rupees	----	----	----
As at July 01, 2017							
Cost			448,299	647,166	3,209,830	1,225,241	5,530,536
Accumulated depreciation			(400,257)	(511,738)	(2,184,790)	(1,172,301)	(4,269,086)
Net book value	-	-	48,042	135,428	1,025,040	52,940	1,261,450
Movement during the year ended June 30,2018							
Opening net book value	-	-	48,042	135,428	1,025,040	52,940	1,261,450
Reclassification to Investemnt Property	-	-	-	-	-	-	-
Addition during the year	-	28,150	-	-	-	-	28,150
Depreciation for the year	-	(2,761)	(9,608)	(27,086)	(205,008)	(17,470)	(261,933)
Closing net book value	-	25,389	38,434	108,342	820,032	35,470	1,027,667
As at June 30, 2018							
Cost	-	28,150	448,299	647,166	3,209,830	1,225,241	5,558,686
Accumulated depreciation	-	(2,761)	(409,865)	(538,824)	(2,389,798)	(1,189,771)	(4,531,019)
Net book value	-	25,389	38,434	108,342	820,032	35,470	1,027,667
Movement during the year ended June 30, 2019							
Opening net book value	-	**25,389**	**38,434**	**108,342**	**820,032**	**35,470**	**1,027,667**
Addition during the year	-	-	-	-	-	-	-
Depreciation for the year	-	**(5,078)**	**(7,687)**	**(21,668)**	**(164,006)**	**(11,705)**	**(210,144)**
Closing net book value	-	**20,311**	**30,747**	**86,674**	**656,026**	**23,765**	**817,523**
As at June 30, 2019							
Cost	-	**28,150**	**448,299**	**647,166**	**3,209,830**	**1,225,241**	**5,558,686**
Accumulated depreciation	-	**(7,839)**	**(417,552)**	**(560,492)**	**(2,553,804)**	**(1,201,476)**	**(4,741,163)**
Net book value	-	**20,311**	**30,747**	**86,674**	**656,026**	**23,765**	**817,523**
Rate of depreciation	**0%**	**20%**	**20%**	**20%**	**20%**	**33%**	

		Note	2019	2018
10	**INVESTMENT PROPERTY**	*Note*	---------Rupees----------	
	Cost -as at		**5,731,581**	5,731,581
	less: accumulated depreciation	*10.1*	**(4,196,486)**	(3,084,866)
	Net book value		**1,535,095**	2,646,715
10.1	*Accumulated depreciation*			
	Opening balance		**3,084,866**	677,602
	Charge for the year		**1,111,620**	2,407,264
	Closing balance		**4,196,486**	3,084,866
	Rate of depreciation		**42%**	42%

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10.2 This represents the aggregate cost of Office no. 605 and 606 in the Pakistan Stock Exchange building and Shop no.1, Suleman Arcade, Jamaluddin Afghani Road. Since the future use of the offices is yet undetermined, the same has been classified as an Investment Property.

10.3 Fair value of investment property is amounted to Rs. 16,500,000 (2018: Rs. 18,000,000)

11 INTANGIBLE ASSETS	Note	2019	2018
		---------Rupees---------	
TREC - PSX			
Opening balance	*11.1*	**2,500,000**	5,000,000
Less: impairment loss		**-**	(2,500,000)
Closing balance		**2,500,000**	2,500,000
Membership card Pakistan Mercantile Exchange Limited		**750,000**	750,000
		3,250,000	3,250,000

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

12 LONG TERM DEPOSITS	Note	2019	2018
		---------Rupees---------	
Deposits placed with:			
- Pakistan Mercantile Exchange Limited against base deposit		**2,500,000**	2,500,000
- Pakistan Stock Exchange Limited			
Against Ready Market Exposure		**200,000**	200,000
Against Future Market Exposure		**1,000,000**	1,000,000
Against Base Minimum Capital requirement		**-**	2,000,000
Against Car Parking		**10,000**	10,000
- National Clearing Corporation of Pakistan Limited against basic deposit		**200,000**	300,000
- Central Depository Company of Pakistan Limited against basic deposit		**100,000**	100,000
		4,010,000	6,110,000

13 LONG TERM INVESTMENT

Fair value through other comprehensive

2019	2018		Note	2019	2018
----Number of shares-----				---------Rupees---------	
1,902,953	1,902,953	Ordinary shares of PSX - at cost		**17,219,769**	17,219,769
		Surplus on revaluation		**7,518,620**	20,363,553
			13.1	**24,738,389**	37,583,322

13.1 This represents the investment in ordinary shares of Pakistan Stock Exchange Limited (PSX) received by the Company in pursuance of the promulgation of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012.

13.2 Fair value of pledged securities with PSX are as follows:	2019	2018
	---------Rupees---------	
Clients	**43,078,950**	70,057,450

(Directors have pledged their shares in NCCPL on behalf of Clients)

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

14 TRADE DEBTS

	Note	2019	2018
Considered good		11,138,625	5,648,450
Considered doubtful		2,918,181	2,839,653
		14,056,806	8,488,103
Less: provision for doubtful debts	14.1	(2,918,181)	(2,839,653)
		11,138,625	5,648,450

14.1 Movement in provision for doubtful debts

	2019	2018
Balance at the beginning of the year (as previously reported)	2,839,653	2,839,653
Add: Effect of application of IFRS 9	(48,627)	-
Balance at the beginning of the year (restated)	2,791,026	2,839,653
Charged during the year	127,155	-
Balance at the end of the year	2,918,181	2,839,653

15 ADVANCES, TRADE DEPOSITS AND OTHER RECEIVABLES - Considered good

	2019	2018
Deposits		
- Exposure deposit with PSX	300,000	900,000
- Deposit with PMEX	500,000	-
- Exposure deposit with NCCPL against ready market and future market	124,746	169,550
	924,746	1,069,550
Receivables		
- Others	1,821,706	1,526,010
	2,746,452	2,595,560

16 BANK BALANCES

	Note	2019	2018
Cash at bank			
- Current account		25,430,197	34,808,708
- Savings account	16.1	41,875,611	38,038,016
	16.2	67,305,808	72,846,724

16.1 The return on these balances is 3.9% to 10.5% (2018: 3.9 %) per annum on daily product basis.

16.2 This includes a balance of Rs.25,430,197 (2018: Rs. 3,4808,708) held in a separate bank account designated to clients.

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

17 OPERATING REVENUE

	2019	2018
Commission income	12,821,779	12,160,304
Dividend Income	-	518,739
	12,821,779	12,679,043

		Note	2019	2018
			---------Rupees----------	
18	**ADMINISTRATIVE EXPENSES**			
	Salaries, benefits and allowances		**9,299,828**	11,330,056
	Directors' remuneration	*23*	**1,950,000**	1,950,000
	PSX charges		**944,964**	514,771
	CDC charges		**768,413**	871,116
	Rent, rates and taxes		**52,121**	238,206
	Printing and stationery		**-**	28,413
	Fees and subscription		**762,954**	628,984
	Communication expenses		**119,450**	167,830
	Auditors' remuneration - Audit fee		**250,000**	250,000
	SECP, NCCPL and PMEX charges		**1,090,374**	919,823
	Travelling and conveyance		**-**	627
	Entertainment expense		**47,625**	155,512
	Repair and maintenance		**9,527**	259,690
	Software expense		**258,000**	180,000
	Utilities		**259,753**	168,757
	Depreciation		**1,321,764**	2,669,197
	Others		**44,128**	378,465
	Provision against doubtful receivables		**127,155**	-
	Impairment of Trading Rights Entitlement (TRE) Certificate		**-**	2,500,000
			17,306,056	23,211,447
19	**FINANCIAL CHARGES**			
	Unwinding of long term loan from director	*6*	**325,173**	206,459
	Bank charges		**10,103**	18,814
			335,276	225,273
20	**OTHER INCOME**			
	Income from financial assets			
	- Profit from bank deposit		**1,350,449**	50,342
	Income from other than financial assets			
	- IPO Commission		**-**	1,555
	- Interest on future exposures and other deposits		**48,540**	228,711
			1,398,989	280,608
21	**TAXATION**			
	Current taxation		**177,760**	3,458,171
21.1	**Relationship between tax expense and accounting (loss) / profit**			
	Loss before taxation		**(3,420,564)**	(10,477,069)
	Tax at the applicable rate of 29% (2018: 30%)		**(991,964)**	(3,143,121)
	Tax effect of income taxed under Presumptive Tax Regime		**1,169,724**	6,679,103
	Tax effect of income taxed at lower rate		**-**	(77,811)
			177,760	3,458,171

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

21.3 The management has not recorded deferred tax asset as they foresee capital losses in future.

22 LOSS PER SHARE - BASIC AND DILUTED

22.1 Basic loss per share

	2019	2018
	---------Rupees---------	
Loss after taxation	(3,598,324)	(13,935,240)
	— Number of shares —	
Weighted average number of ordinary shares outstanding	500,000	500,000
	---------Rupees---------	
Loss per share	(7.20)	(27.87)

22.2 Diluted loss per share

There is no dilutive effect on the basic loss per share of the Company, since there are no convertible instruments in issue as at June 30, 2019 and June 30, 2018 which would have any effect on the loss per share.

23 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

The aggregate amounts charged in the financial statements for remuneration, including certain benefits to Directors and Chief Executive of the Company, are as follows:

	Chief Executive		Directors		Total	
	2019	2018	2019	2018	2019	2018
	Rupees					
Managerial remuneration	1,200,000	1,200,000	750,000	750,000	1,950,000	1,950,000
Number of persons	1	1	1	1	2	2

24 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

	2019	2018
Key management personnel and close family members	---------Rupees---------	
Transactions during the year		
Repayment of loan from director	-	6,850,000
Receipt of loan from director	-	4,335,639
Balance outstanding at year end		
Director loan	4,660,812	4,335,639
Trade Receivables	1,835,984	738
Trade payable	40,313	-

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		2019	2018
25	**FINANCIAL INSTRUMENTS**	---------Rupees---------	

25.1 Financial instruments by category

Financial assets

	2019	2018
At fair value through other comprehensive income		
Long term investment	24,738,389	37,583,322
At amortized cost		
Long term deposits	4,010,000	6,110,000
Trade debts	11,138,625	5,648,450
Advances, trade deposits and other receivables	2,746,452	2,595,560
Bank balances	67,305,808	72,846,724
	85,200,885	87,200,734

Financial liabilities

	2019	2018
At amortised cost		
Loan from directors	4,660,812	4,335,639
Trade and other payables	27,203,878	36,084,850
	31,864,689	40,420,488

25.2 Financial risk analysis and management

The Company's activities are exposed to a variety of financial risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. The overall risk arising from the Company's financial assets and liabilities are limited.

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

a) Market Risk

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

i) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transaction in foreign currency. Currently, the Company is not exposed to currency risk since there are no foreign currency transactions and balances at the reporting date.

ii) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 24.738 million (2018: 37.583 million) at the reporting date. The Company manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

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

Sensitivity analysis

The table below summarizes the Company's equity price risk as of 30 June 2019 and 30 June 2018 and shows the effects of a hypothetical 1% change in market prices as at the reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Company's equity investment portfolio.

		Fair value	Hypothetical price change	Hypothetical increase / (decrease) in shareholders' equity
June 30, 2019	*Rupees*	**24,738,389**	1% change	**247,384**
June 30, 2018	*Rupees*	37,583,322	1% change	375,833

(iii) Interest rate risk

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

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

	Effective interest rate (%)		Carrying amount (Rs.)	
	2019	2018	**2019**	2018
Financial assets				
Balance held in savings accounts	**3.9% to 10.5%**	3.90%	**41,875,611**	38,038,016

Sensitivity analysis

Fair value sensitivity

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

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Cash flow sensitivity

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

	Effect on profit or loss	
	100 bps increase	100 bps decrease
As at June 30, 2019	**418,756**	(418,756)
As at June 30, 2018	380,380	(380,380)

b) **Credit risk**

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

Exposure to credit risk

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, advances, deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery. The Company's management, as part of risk management policies and guidelines, reviews clients' financial position, considers past experience and other factors, and obtains necessary collaterals to reduce credit risks. These collaterals are subject to market risk as discussed in note 26.2.1 which ultimately affects the recoverability of trade debts. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies, investment and operational guidelines approved by the Board of Directors.

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

		2019	2018
		---------Rupees----------	
Long term deposits		4,010,000	6,110,000
Trade debts	*25.2.2*	11,138,625	5,648,450
Advances, trade deposits and other receivables		2,746,452	2,595,560
Bank balances		67,305,808	72,846,724
		85,200,885	87,200,734

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25.2.1 The Company holds equity securities having fair value of Rs. 332,085,943 million (2018: Rs 301,629,342 million) owned by its clients, as collaterals against trade debts and margin finance receivables. The aging analysis of the total receivable from clients (i.e. inclusive of trade debts and receivable against margin financing) as at the reporting date is as follows:

	2019		2018	
	Gross	**Impairment**	Gross	Impairment
Not past due	-	-	-	-
Past due 1 day - 30 days	**10,438,327**	-	6,175,122	-
Past due 31 days - 180 days	**456,995**	-	228,887	706,932
Past due 181 days - 1 year	**100,450**	-	90,475	90,475
More than one year	**3,061,033**	**2,918,181**	1,993,619	1,993,619
	14,056,805	**2,918,181**	8,488,103	2,791,026

25.2.2 The maximum exposure to credit risk for trade debts is due from local clients.

Due to the Company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

c) **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

The following are the contractual maturities of financial liabilities including estimated interest payments.

	2019			
	Carrying amount	**Contractual cash flows**	**Up to one year**	**More than one year**
Financial liabilities				
Trade and other payables	27,203,878	27,203,878	27,203,878	-

	2018			
	Carrying amount	**Contractual cash flows**	**Up to one year**	**More than one year**
Financial liabilities				
Trade and other payables	36,084,850	36,084,850	36,084,850	-

25.3 **Fair value hierarchy**

In case of equity instruments, the Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

- Level 2 : Valuation techniques based on observable inputs.

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

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

	Level 1	Level 2	Level 3	Total
	Rupees			
June 30, 2019				
Long term investment	24,738,389	-	-	24,738,389
June 30, 2018				
Long term investment	37,583,322	-	-	37,583,322

25.4 CAPITAL ADEQUACY LEVEL AND CAPITAL RISK MANAGEMENT

25.4.1 The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

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

The Capital adequacy level as required by CDC is calculated as follows;

	2019	2018
	Rupees	
Total assets	148,480,633	173,431,062
Less: Total liabilities	4,660,812	4,335,639
Less: Revaluation Reserves (created upon revaluation of fixed assets)	-	-
Capital adequacy level	143,819,821	169,095,423

25.4.1 While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate as at year ended as determined by Pakistan Stock Exchange has been considered.

26 NUMBER OF EMPLOYEES

The total number of employees at year end and average number of employees during the year, respectively, are as follows:

	2019	2018
	(Number)	
Total number of employees at year end	17	23
Average number of employees during the year	17	23

27 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the board of directors in their meeting held on

25 SEP 2019

28 GENERAL

28.1 Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

G.H. Sakarwala

DIRECTOR