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

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
KARACHI, LAHORE & ISLAMABAD

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INDEPENDENT AUDITORS' REPORT

To the members of FDM Capital Securities (Private) Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **M/s. FDM 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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Russell Bedford

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

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

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

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Karachi
Date:

2 6 SEP 2019

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

	Note	2019	(Restated) 2018	(Restated) 2017
ASSETS		Rupees		
Non current assets				
Property and equipment	5	**13,580,258**	18,240,644	19,366,751
Intangible assets	6	**3,500,000**	3,500,000	6,000,000
Long term investments	7	-	22,826,596	45,125,765
Long term deposit	8	**4,050,000**	3,900,000	4,215,800
		21,130,258	48,467,240	74,708,316
Current assets				
Trade debts - considered good and secured	9	**10,249,116**	10,131,950	74,817,424
Short term investments - at fair value through profit or loss	10	**103,292,850**	245,197,451	319,603,371
Taxation - net	12	**8,681,477**	5,708,367	15,573,370
Advances, deposits, prepayments and other receivables	11	**12,153,025**	472,645	4,488,269
Bank balances	13	**61,164,575**	115,325,749	91,600,935
		195,541,043	376,836,162	506,083,369
		216,671,301	425,303,402	580,791,685
EQUITIES AND LIABILITIES				
Capital and reserves				
Authorized Capital				
1,500,000 (2018: 1,500,000) ordinary shares of Rs. 100/ each		**150,000,000**	150,000,000	150,000,000
Issued subscribed and paid up capital				
1,300,000 (2018: 1,300,000) ordinary shares of Rs. 100/- each fully paid in cash		**130,000,000**	130,000,000	130,000,000
Unappropriated profit		**25,316,915**	88,572,004	214,319,466
Surplus on remeasurement		-	15,461,074	32,416,657
		155,316,915	234,033,078	376,736,123
Long term liabilities				
Loan from Directors	14	**2,500,000**	2,500,000	2,500,000
Deferred tax	15	-	-	322,438
Current liabilities				
Trade and other payables	16	**56,990,447**	114,299,940	87,315,350
Short term running finance	17	-	74,470,384	112,154,780
Markup accrued		**1,863,939**	-	1,762,994
		58,854,386	188,770,324	201,233,124
Contingencies and commitments	18	-	-	-
		216,671,301	425,303,402	580,791,685

The annexed notes from 1 to 31 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

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

	Note	2019	(Restated) 2018
		Rupees	
Operating revenue	19	**33,183,038**	35,808,732
Capital loss on investment-net		**(22,064,546)**	(2,014,253)
Net unrealized loss on remeasurement of investments to fair value		**(53,864,652)**	(89,610,516)
		(42,746,160)	(55,816,037)
Operating expenses			
Administrative expenses	20	**37,405,787**	45,703,339
Finance cost	21	**7,482,667**	7,164,464
		(44,888,454)	(52,867,803)
Operating loss		**(87,634,614)**	(108,683,840)
Other income / charges - net	22	**13,638,942**	43,184
Loss before taxation		**(73,995,672)**	(108,640,656)
Taxation	23	**(1,595,715)**	(17,106,806)
Loss after taxation		**(75,591,387)**	(125,747,462)

The annexed notes from 1 to 31 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

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

	Issued, subscribed & paid up capital	Unappropriated profit	Surplus on revaluation of Available-for-sale investment	Total
	Rupees			
Balance as at July 1, 2017 (as originally reported)	130,000,000	233,796,316	12,939,807	376,736,123
Effect of correction of error (see note 30)	-	(19,476,850)	19,476,850	-
Balance as at June 30, 2017 (as restated)	130,000,000	214,319,466	32,416,657	376,736,123
Loss after taxation	-	(125,747,462)	-	(125,747,462)
Other comprehensive income	-	-	(16,955,583)	(16,955,583)
Balance as at June 30, 2018 (as restated)	130,000,000	88,572,004	15,461,074	234,033,078
Effect of adoption of new accounting standards (Note 3.2)	-	**(3,124,776)**	-	**(3,124,776)**
Loss after taxation	-	**(75,591,387)**	-	**(75,591,387)**
Other comprehensive loss	-	-	-	-
Reclassification of surplus on investment upon reclassification of long term investment to short term investment	-	**15,461,074**	**(15,461,074)**	
Balance as at June 30, 2019	**130,000,000**	**25,316,915**	-	**155,316,915**

The annexed notes from 1 to 31 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

FDM CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(73,995,672)	(19,073,324)
Adjustment for:		
Depreciation	2,317,811	2,573,607
Dubai gold and commodity exchange	-	315,800
Gain on disposal of office premises	(13,335,465)	-
Reversal of impairment loss on trade debts	(272,608)	-
Profit on margin deposit	-	43,184
Impairment on TREC	-	2,500,000
Finance cost	7,482,667	7,164,464
Cash used in operating activities before working capital changes	(77,803,267)	(6,476,269)
Effect of cash flows due to working capital changes		
(Increase) / decrease in current assets		
Trade debtors	(2,969,334)	64,685,474
Advances, deposits, prepayments and other receivable	(11,680,380)	4,015,624
	(14,649,714)	68,701,098
Increase / (decrease) in current liabilities		
Trade and other payables	(57,309,493)	26,984,590
Cash (used in) / generated from operations	(149,762,474)	89,209,419
Finance cost paid	(5,618,728)	(8,927,458)
Long term deposit paid	(150,000)	-
Tax paid	(4,568,825)	(7,241,803)
Net cash (used in) / generated from operating activities	(160,100,027)	73,040,158
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale / (purchase) of investments - net	164,731,197	(10,183,448)
Disposal of office premises	18,779,040	-
Capital expenditure	(3,101,000)	(1,447,500)
Net cash generated from / (used in) investing activities	180,409,237	(11,630,948)
Net increase in cash and cash equivalents during the year	20,309,210	61,409,210
Cash and cash equivalents at beginning of the year	40,855,365	(20,553,845)
Cash and cash equivalents at closing of the year	61,164,575	40,855,365
Cash and cash equivalents comprises of the followings:		
Cash and bank balances	61,164,575	115,325,749
Short term borrowings	-	(74,470,384)
	61,164,575	40,855,365

The annexed notes from 1 to 31 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

1 STATUS AND ACTIVITIES

The FDM Capital Securities (Private) limited (the "Company") was incorporated in Pakistan on July 29, 2001 as a private limited company under the repealed Companies Ordinance, 1984 (the "Ordinance") which has now been replaced by Companies Act, 2017.

The registered office of the Company is located at room no. 620-621, Stock Exchange Building, Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange) Road, Karachi.

The Company is a corporate member of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). The company has also acquired membership of the Pakistan Mercantile Exchange Limited & Commodities Exchange.

The principal activities include trading and brokerage for equities, underwriting of public issues, etc.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is Company's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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. Areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policy are as follows:

(a) Useful lives and residual values of property and equipment
(b) Useful lives and residual values of intangible asset
(c) Useful live and residual value of investment property
(d) Provision for taxation

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

There are new and amended standards and interpretations that are mandatory for accounting periods beginning July 01, 2018 (other than those disclosed in note 3) which are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

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

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

IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Currently, there is no impact on adoption of this standard.

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 FVOCI, 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 amendment is not likely to have an impact on 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 companies 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 example 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 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, a company 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 amendments is not likely to have an impact on 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 standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

Amendments 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 judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

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.

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

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company 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 a company 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 from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Company's financial statements.

3 INITIAL APPLICATION OF IFRS 9 AND IFRS 15

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

3.1 IFRS 15 'Revenue from Contracts with Customers'

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

The Company contracts with customers for the trading services which generally include a single performance obligation. 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 by 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 of the Company.

3.2 IFRS 9 'Financial Instruments'

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

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

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

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

The 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:

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount	New carrying amount
As at June 30, 2018			-------- Rupees --------	
Long term Investemnt	Available-for-sale	*At FVTOCI	22,826,596	22,826,596
Short term investment	Available-for-sale	**At FVTPL	245,197,451	245,197,451
Long term deposits	Loans and receivable:	At amortized cost	3,900,000	3,900,000
Trade debts	Loans and receivable:	At amortized cost	10,131,950	10,131,950
Advances, trade deposits and other	Loans and receivable:	At amortized cost	472,645	472,645
Total financial assets			282,528,642	282,528,642

* At fair value through other comprehensive income

** At fair value through profit or loss

ii) *Impairment*

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

During the year, the Company has changed its accounting policy with respect to measurement of credit loss allowance on financial assets to bring it in line with the new impairment requirements of IFRS 9 as noted above.

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:

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as mentioned in note 3.2 above:

4.1 Property and equipment

Owned

Property and equipments are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises expenditure that is directly attributable to the acquisition of the asset including borrowing costs.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statement of profit or loss as and when incurred except major repairs which are capitalized.

Depreciation on all property and equipment is charged using reducing balance method in accordance with the rates specified in note 5 to these financial statements. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each statement of financial position date. Depreciation on additions is charged from the date when the assets become available for use till the date of disposal.

4.2 Intangible assets

Computer software

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged using reducing balance method over assets estimated useful life at the rates stated in note 6.1, after taking into accounts residual value, if any. The residual values, useful life and amortization methods are reviewed and adjusted, if appropriate, at balance sheet date.

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Amortization on additions is charged from the month the assets are put to use while no amortization is charged in the month in which the assets are disposed off.

Gain and losses on disposal of such assets, if any, are included in the profit and loss account.

Trading Rights Entitlement (TRE) Certificate

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

4.3 Trade debts and other receivables

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

4.4 Cash and Cash equivalents

Cash in hand and at banks are carried at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, bank balances and short term borrowings.

4.5 Trade and other payables

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

4.6 Taxation

Current tax

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

4.7 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 balance sheet date and adjusted to reflect current best estimate.

4.8 Financial instruments

4.9.1 Classification and initial measurement

The Company classifies its financial instruments in the following categories:

(a) at fair value through profit and loss ("FVTPL"),

(b) at fair value through other comprehensive income ("FVTOCI"), or

(c) at amortised cost.

(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:

- 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

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

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

(c) Financial assets at FVTPL

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

Such financial assets are initially measured at fair value.

4.9.2 *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 profit and loss account.

(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 profit and loss account.

4.9.3 ***Impairment***

The Company's only financial asset that is subject to the impairment requirements of IFRS 9 is trade receivables.

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 Modaraba 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 and 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.

4.9.4 ***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 Modaraba has transferred substantially all risks and rewards of ownership.

4.10 ***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 and loss account.

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.

4.11 ***Offsetting of financial assets and financial liabilities***

Financial assets and liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to setoff the recognised amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

4.12 ***Offsetting of financial assets and financial liabilities***

Financial assets and liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to setoff the recognised amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

4.13 ***Related party transactions***

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

4.14 *Revenue recognition*

Revenue from trading activities

Commission revenue from trading of securities is recegnized when the performance obligation is satisfied, being when transaction is settled by the clearing house and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Broker's bills are also generated at that point in time.

A receivable is recognized when the transaction is settled by the clearing house as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company does not expect to have contracts where the period between the services to the customer and payment by the customer exceeds one year. As a consequence, the Comoany does not adjust any of the transaction prices for the time value of money.

Dividend income

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

Interest income

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

5 PROPERTY AND EQUIPMENT

	Furniture and Fixture	Office Equipment	Vehicles	Computers	Office Premises	Total
Year ended June 30, 2018						
Opening net book value	120,690	742,433	3,792,551	142,442	14,568,635	19,366,750
Additions / (disposals)	-	-	1,447,500	-	-	1,447,500
Depreciation charge	(12,069)	(74,243)	(987,698)	(42,733)	(1,456,864)	(2,573,607)
Closing net book value	108,621	668,190	4,252,353	99,709	13,111,771	18,240,644
At June 30, 2018						
Cost	462,735	2,114,307	9,964,629	5,569,002	36,175,040	54,285,713
Accumulated depreciation	(354,114)	(1,446,117)	(5,712,276)	(5,469,293)	(23,063,269)	(36,045,069)
Net book value	108,621	668,190	4,252,353	99,709	13,111,771	18,240,644
Year ended June 30, 2019						
Opening net book value	108,621	668,190	4,252,353	99,709	13,111,771	18,240,644
Additions / (disposals)	-	-	3,101,000	-	(5,443,575)	(2,342,575)
Depreciation charge	(10,862)	(66,819)	(1,093,453)	(29,913)	(1,116,764)	(2,317,811)
Closing net book value	97,759	601,371	6,259,900	69,796	6,551,432	13,580,258
At June 30, 2019						
Cost	462,735	2,114,307	13,065,629	5,569,002	23,115,040	44,326,713
Accumulated depreciation	(364,976)	(1,512,936)	(6,805,729)	(5,499,206)	(16,563,608)	(30,746,455)
Net book value	97,759	601,371	6,259,900	69,796	6,551,432	13,580,258
Annual rates of depreciation	10%	10%	20%	30%	10%	

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6 INTANGIBLE ASSETS

	Notes	2019	2018
		Rupees	
Membership card - Pakistan Mercantile Exchange Ltd	*6.1*	**1,000,000**	1,000,000
Software	*6.2*	**-**	-
Trading Rights Entitlement (TRE) Certificate			
Cost		**8,170,850**	8,170,850
Impairment		**(5,670,850)**	(5,670,850)
	6.3	**2,500,000**	2,500,000
		3,500,000	3,500,000

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

6.2 Software

	2019	2018
	Rupees	
Acquisition cost	**3,606,820**	3,606,820
Accumulated balance of amortization	**(3,606,820)**	(3,606,820)
	-	-

6.3 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.

7 LONG TERM INVESTMENTS

2019	2018		2019	2018
Number of PSX shares			Rupees	
-	1,081,194	Ordinary shares of PSX (at cost)	**5,892,508**	5,892,508
		Surplus on remeasurment to fair value	**15,461,074**	15,461,074
			21,353,582	21,353,582
		Un-Quoted - at cost		
		National Asset Management Company	**1,473,014**	1,473,014
			22,826,596	22,826,596
		Transfer to short term investments	**(22,826,596)**	-
			-	22,826,596

7.1 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. The total number of shares received by the Company were 4,007,383 out of which 60% shares were held in a separate blocked account marked as freeze in the Central Depository Company of Pakistan Limited (CDC) to restrict the sale of such shares by the members of PSX.

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

7.2 Surplus on remeasurement of investment to fair value

	2019	2018
	Rupees	
Opening balance	-	32,416,657
Transfer to short term investment		(10,551,577)
Decline in fair value recognized during the year	-	(6,404,006)
Closing balance	-	15,461,074

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8	LONG TERM DEPOSIT	2019	2018
		Rupees	
	Pakistan Stock Exchange Ltd	500,000	500,000
	Central Depository Company of Pakistan Ltd	100,000	100,000
	National Clearing Company of Pakistan Ltd	200,000	100,000
	Pakistan Mercantile Exchange Ltd	2,500,000	2,500,000
	Online trading deposit	500,000	500,000
	Future trading initial deposit	100,000	100,000
	Other deposits	150,000	100,000
		4,050,000	3,900,000

9	TRADE DEBTS - Considered good and secured		2019	2018
	Trade receiveables - gross		13,101,284	10,131,950
	Less: Impairment against trade receivable	9.2	(2,852,168)	-
			10,249,116	10,131,950

9.1 The Company holds equity securities having fair value of Rs. 490.924 million (2018: Rs 354 million) owned by its clients, as collaterals against trade debts.

9.2	Movement in provision for doubtful trade debts	2019	2018
		Rupees	
	Balance at the beginning of the year (as previously reported)	-	-
	Add: Effect of application of IFRS 9	3,124,776	-
	Balance at the beginning of the year (restated)	3,124,776	-
	Charged during the year	-	
	Reversed during the year	(272,608)	
	Balance at the end of the year	2,852,168	-

10	SHORT TERM INVESTMENTS *At fair value through profit or loss*	2019	2018
	Quoted equity securities		
	Cost of investments	254,160,719	343,005,412
	Surplus on remeasurement of investments	(152,340,883)	(97,807,961)
		101,819,836	245,197,451
	National Asset Management Company	1,473,014	-
		103,292,850	245,197,451

10.1 Fair value of of pledged securities indicating separately securities belonging to customers is as under:

	2019		2018	
	Number of securities	Amount (Rupees)	Number of securities	Amount (Rupees)
Clients	1,040,400	37,261,212	359,900	45,287,933
Brokerage House	1,649,516	65,832,482	1,271,500	106,367,075
Total	2,689,916	103,093,694	1,631,400	151,655,008

11	ADVANCE, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2019	2018
			Rupees	
	Deposits placed with NCCPL		11,800,015	-
	Other Receivables		353,010	472,645
			12,153,025	472,645

12	TAXATION - NET		
	Advance tax	10,277,192	22,815,173
	Provision for taxation	(1,595,715)	(17,106,806)
		8,681,477	5,708,367

13	BANK BALANCES			
	Cash at bank			
	- current account		60,938,528	114,295,606
	- saving account	*13.1*	226,047	1,030,143
			61,164,575	115,325,749

13.1 This amount carries markup @ of 7% to 7.5% per annum (2018 :4% to 4.5%).

13.2 Bank balances include customers' bank balances held in designated bank accounts amounting to Rs. 56.668 million (2018: Rs. 113.68 million).

14	LOAN FROM DIRECTORS	Note	2019	2018
			Rupees	
	Directors' loan	*14.1*	2,500,000	2,500,000

14.1 This represent long term unsecured and interest free loan from sponsoring directors. The above loan has not been amortised as the financial impact of unwinding is not considered to be material on the financial statements.

15 DEFERRED TAX

Deferred tax has been recognised only on temporary differences arised due to remeasurement of investments. During the period, no deferred tax recognised because there was a unrealised loss of Rs. 53 million on investment, thus creating a deferred tax asset as at the year end.

16	TRADE AND OTHER PAYABLES	2019	2018
		Rupees	
	Creditors	56,584,772	113,899,940
	Accrued expenses and other payables	405,675	400,000
		56,990,447	114,299,940

17	SHORT TERM RUNNING FINANCE		
	Bank Overdraft	-	74,470,384

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17.1 The Company has obtained running finance facility from Habib Metropolitan Bank for working capital requirements. Mark up is accrued @ 3 month KIBOR + 3% per annum. The arrangement is secured against pledge of shares with 40% margin.

18 CONTINGENCIES AND COMMITMENTS

18.1 In respect of tax years 2012 and 2013, Deputy Commissioner Inland Revenue has imposed Federal Excise Duty amounting to Rs 8,690,625/- vide its order dated June 29, 2015. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) and obtained a stay order from the Honorable Sindh High Court in this regard.

18.2 There are no commitments as at 30 June 2019 (2018: Nil)

19 OPERATING REVENUE

	Note	2019	2018
		Rupees	
Commission income		**24,230,686**	25,828,042
Dividend income		**8,397,688**	9,980,690
Profit on future cash margin		**554,664**	-
		33,183,038	35,808,732

20 ADMINISTRATIVE EXPENSE

	Note	2019	2018
Directors' remuneration		**2,784,000**	3,396,000
Salaries, benefits and allowances		**7,557,498**	9,892,655
Legal and professional charges		**952,500**	101,500
CDC charges		**2,680,723**	2,898,673
PSX and SECP charges		**1,433,582**	1,387,425
NCCPL charges		**1,273,196**	-
Commission to dealers		**11,821,012**	13,848,738
Printing and stationery		**143,210**	157,547
Auditor's remuneration	*20.1*	**400,000**	400,000
Rent, rates and taxes		**247,365**	858,600
Electricity charges		**1,014,480**	850,723
Entertainment expenses		**348,900**	186,970
Repair and maintenance		**494,022**	1,075,646
Communication expense		**2,621,423**	4,254,670
Depreciation	*5*	**2,317,811**	2,573,607
Impairment on TREC	*6.3*	-	2,500,000
General expense		**1,316,065**	1,320,585
		37,405,787	45,703,339

20.1 Auditor's remuneration

	2019	2018
Statutory auditors remuneration	**300,000**	300,000
Certification and advisory services	**100,000**	100,000
	400,000	400,000

21 FINANCE COST

	2019	2018
Bank charges	**84,503**	6,974
Markup on short term borrowings	**7,398,164**	7,157,490
	7,482,667	7,164,464

22	OTHER INCOME /CHARGES	Note	2019	2018
			Rupees	
	Gain on disposal of office premises		13,335,465	-
	Impairment against receivables		272,608	
	Profit on margin deposit		30,869	43,184
			13,638,942	43,184

23	TAXATION	2019	2018
	Current tax	1,501,222	7,241,803
	Prior year tax	94,493	9,865,003
		1,595,715	17,106,806

23.1 The income tax assessments of the Company have been finalised up to and including the tax year 2017. Tax returns are deemed to be assessed under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit 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 the deemed assessment order for audit.

24 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

Particulars	2019			2018		
	Chief Executive	Director	Total	Chief Executive	Director	Total
Managerial Remuneration(Rupees)	1,392,000	1,392,000	2,784,000	1,698,000	1,698,000	3,396,000
Number of persons	1	1	2	1	1	2

25 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of key management personnel and directors and their close family members, major shareholders of the Company. Transaction with related parties are on arm's length. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment. Transactions with related parties during the year other than those disclosed elsewhere in the financial statements are as follows:

Name of the related party and relationship with company		June 30, 2019	June 30, 2018
		Rupees	
Directors	Balance payable at year end	2,500,000	2,500,000

26 FINANCIAL INSTRUMENTS

26.1 Financial risk management

The Company is exposed to a variety of financial risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. The Board of Directors of the Company has the overall responsibility for the establishment and oversight of Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(i) **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. The Company is exposed to credit risk in respect of trade debtors, long term deposits, short term advances and bank balances.

The Company attempts to control credit risk by diversification of financing activities to avoid undue concentration of credit risk with individuals or groups of customers in specific locations or businesses, monitoring credit exposures, limiting transactions to specific counterparties and continually assessing the credit worthiness of counterparties. It also obtains securities when appropriate.

A financial asset is regarded as credit impaired as and when it falls under the definition of a 'defaulted' financial asset. For the Company's internal credit management purposes, a financial asset is considered as defaulted when it is past due for 365 days or more.

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

a) The maximum exposure to credit risk at the reporting date is as follows:

	2019	2018
	Rupees	
Long term deposits	4,050,000	3,900,000
Trade debts	10,249,116	10,131,950
Advances, deposits and other receivable	12,153,025	472,645
Bank balances	61,164,575	115,325,749
	87,616,716	129,830,344

b) Impairment losses:

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

	2019		2018	
	Gross Carrying amount	Life time expected credit losses	Gross Carrying amount	Life time expected credit losses
	Rupees			
1 to 30 days	4,956,362	1,079,007	3,424,558	1,056,162
30 to 180 days	3,691,852	803,721	1,834,812	565,871
180 to 365 days	1,249,136	271,939	361,712	111,555
Above 365 days	3,203,934	697,501	4,510,868	1,391,188
	13,101,284	2,852,168	10,131,950	3,124,776

At each reporting date, Company assessed its trade debts for impairment, however, based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors considered good do not require any impairment other than above. None of the other financial assets are either past due or impaired.

The Company held collaterals in respect of trade debts. The Company have trade receivable for which no loss allowance is recognised because of collaterals held.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities and the Company could be required to pay its liabilities earlier than expected or face difficulty in raising funds to meet commitments. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The following are the contractual maturities of financial liabilities, including interest payments:

	2019			
	Carrying amount	**Contractual cash flows**	**Up to one year**	**More than one year**
Financial liabilities				
Short term borrowings	-	-	-	-
Trade and other payables	56,990,447	56,990,447	56,990,447	-
Accrued markup	1,863,939	1,863,939	1,863,939	-
	58,854,386	58,854,386	58,854,386	-

	2018			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
Financial liabilities				
Short term borrowings	74,470,384	74,470,384	74,470,384	-
Trade and other payables	114,299,940	114,299,940	114,299,940	-
Accrued markup	-	-	-	-
	188,770,324	188,770,324	188,770,324	-

(iii) Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of currency risk, interest rate risk and price risk.

(a) Currency risk

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

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term borrowings from banks and deposits held with banks in PLS accounts.

At the 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 (Rs.)	
Financial assets				
Bank deposits - PLS *account*	7.0% - 7.5%	4.0% - 4.5%	226,047	1,030,143
Financial liabilities				
Short term borrowings	3 Months KIBOR + 3%	3 Months KIBOR + 3%	-	74,470,384

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 financial instrument.

Cash flow sensitivity

The following information summarized the estimated effects of hypothetical increases and decreases on interest rate 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 insrtument containing interst rate risk. The hypothetical changes in market rates do not reflect what could be deemed best or worst case scenarios. Variation in market interest rate could produce significant chnages at the time of early payments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumed that all other variable remain constant.

	Effect on profit or loss	
	100 bps increase	100 bps decrease
	Rupees	
As at June 30, 2019	**2,260**	**(2,260)**
As at June 30, 2018	734,402	(734,402)

(c) *Price risk*

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest / markup 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 instrument traded in the market. The Company exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 103.293 million (2018: Rs. 268.024) 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.

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

Sensitivity analysis

The table below summarises the Company's equity price risk as at June 30, 2019 and shows the effect of a hypothetical 5% increase or decrease in market prices as at the reporting date. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenario. 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	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in equity
June 30, 2019	**103,292,850**	**108,457,493**	**5,164,643**
June 30, 2018	268,042,047	281,444,149	13,402,102

26.2 Financial instruments by category

	2019	2018
	Rupees	
Financial assets		
At fair value through other comprehensive income		
Long term investment	-	22,826,596
At fair value through profit or loss		
Short term investments	**103,292,850**	-
	103,292,850	22,826,596
At amortized cost		
Long term deposits	**4,050,000**	3,900,000
Trade debts	**10,249,116**	10,131,950
Advances, trade deposits and other receivables	**12,153,025**	472,645
Bank balances	**61,164,575**	115,325,749
	87,616,716	129,830,344
Financial liabilities		
At amortised cost		
Loan from director	**2,500,000**	2,500,000
Trade and other payables	**56,990,447**	114,299,940
Short term running finance	-	74,470,384
Accrued Markup	**1,863,939**	-
	61,354,386	191,270,324

26.3 Fair value hierarchy

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of an asset or a liability, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

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

Following is the fair value hierarchy of financial assets carried at fair value in the balance sheet:

June 30, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	Rupees			
Long term investments	-	-	-	-
Short term investments	**101,819,836**	-	**1,473,014**	**103,292,850**
	101,819,836	-	**1,473,014**	**103,292,850**

June 30, 2018	Level 1	Level 2	Level 3	Total
	Rupees			
Long term investments	21,353,582	-	1,473,014	22,826,596
Short term investments	245,197,451	-	-	245,197,451
	266,551,033	-	1,473,014	268,024,047

27 CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

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.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements.Furthermore, the Company finance its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimise the risk.

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	**216,671,301**	425,303,402
Total liabilities	**(61,354,386)**	(191,270,324)
Surplus of revaluation of fixed asset	-	-
Capital adequacy level	**155,316,915**	234,033,078

While determining the value of the total assets of the Company, notional value of the TRE certificate as determined by Pakistan Stock Exchange Limited has been considered.

28 NUMBER OF EMPLOYEES

Number of persons employed by the Company as on the year end are 29 (2018: 40) and average number of employees during the year were 29 (2018: 38).

29 PATTERN OF SHAREHOLDING

	2019		2018	
Name of Shareholders	**Shares held**	**% of holding**	Shares held	% of holding
Mohammad Farooq Moosa	**1,299,700**	**99.98%**	1,299,700	99.98%
Mohammad Munir	**300**	**0.02%**	300	0.02%
	1,300,000	**100%**	1,300,000	100%

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

30 CORRECTION OF PRIOR PERIOD ERROR

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

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

In these financial statements, the above error has been rectified retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the corresponding figures have been restated. Due to these restatements, the statement of financial position as at the beginning of the earliest period presented (i.e. as of June 30, 2017) has also been presented in these financial statements.

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

Effects on the statement of financial position	**Unappropriated profits**	**Surplus on re-measurement of investments**
	Rupees	
Balance as at June 30, 2017 (as previously reported)	233,796,316	12,939,807
Effect of restatement as on June 30, 2017		
Reclassification of surplus on re-measurement of investments to fair value	(19,476,850)	19,476,850
Balance as at June 30, 2017 (as restated)	**214,319,466**	**32,416,657**
Balance as at June 30, 2018 (as previously reported)	197,659,370	(93,626,292)
Effect of restatement as on June 30, 2018		
Reclassification of surplus on re-measurement of investments to fair value	(109,087,366)	(109,087,366)
Balance as at June 30, 2018 (as restated)	**88,572,004**	**15,461,074**

Effects on comprehensive income for the year ended June 30, 2018	**Rupees**
Effects on profit or loss	
Recognition of change in unrealized loss on remeasurement of short term investments	(89,610,516)
Decrease in profit before and after taxation	**(89,610,516)**
Effects on other comprehensive income	
Derecognition of unrealized loss on remeaurement of short term investments	89,610,516
Non-recognition of other comprehensive loss	**89,610,516**
Net effect on total comprehensive loss	-

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30 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on ~~2 6 SEP 2019~~.

31 GENERAL

Figures have been rounded off to the nearest rupee and corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison.

CHIEF EXECUTIVE

DIRECTOR