

YASIR MAHMOOD SECURITIES (PVT) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the Report and the Audited Financial Statements of the company for the year ended June 30, 2019.

Market Review

The financial year 2018-19 saw turmoil in the capital markets. Reasons behind the turmoil were uncertainty in government policies; economic uncertainty in term of IMF loan and lack of investor confidence because of extra ordinary documentation and paper work required by the regulators with strict compliance as the results of guidelines issued under the FATF regime.

During the year under review, the stock market declined by 19.11 percent. The Pakistan stock market closing level was 33,901 points as compared to 41,911 points at the beginning of the year.

Economic Review

Economic Outlook The outgoing fiscal year 2018-19 witnessed a muted growth of 3.29 percent against the ambitious target of 6.2 percent. The target was based upon sectoral growth projections for agriculture, industry, and services at 3.8 percent, 7.6 percent and 6.5 percent respectively. The actual sectoral growth turned out to be 0.85 percent for agriculture, 1.4 percent for industry and 4.7 percent for services. CPI inflation increased from 3.9% to 7.3% last year and this inflation is mainly resultant from rising input costs on the back of high utility prices and the lagged impact of exchange rate depreciation is likely to maintain upward pressure on inflation during ensuing fiscal period.

Financial Results

The Company has suffered a loss of PKR 8.197 million compared to loss of PKR 11.628 million for the comparative period last year. The loss is mainly attributable to decline in operating revenue and decline in value of the company's investments. The financial results of the company are summarized as under:

	2019 (In Rupees)	2018 (In Rupees)
Operating revenue	3,384,389	8,900,447
Direct cost	2,475,398	1,935,004
Operating expenses	7,253,001	16,202,332
Operating (Loss)/Profit	(6,344,010)	(9,236,889)
Financial Charges	1,659,663	904,374
(Loss)/Profit before tax	(8,003,673)	(10,141,263)
Taxation	193,970	1,487,372
(Loss)/Profit for the year	(8,197,643)	(11,628,635)

Future Prospects

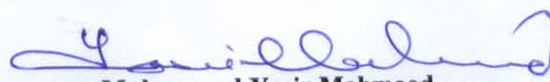
The future outlook and profitability of the company is mainly dependent on the stock market performance which is expected to show better performance because of expected recovery of the economy, after the remedial measures to address the Balance of Payment crises are taken by the new government. The company endeavors to provide its clients financial services of the highest quality.

Auditors

The Board of Directors has proposed reappointment of the retiring auditors, Amin Mudassar & CO. Chartered Accountants, for the financial year ending June 30, 2020.

September 26, 2019

for & on behalf of the Board


Muhammad Yasir Mahmood
(Chief Executive)

Independent Auditor's Report to the members of YASIR MAHMOOD SECURITIES (PVT) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **YASIR MAHMOOD SECURITIES (PVT) LIMITED**, which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss and 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, 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 and 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, total comprehensive income, 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.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980); and
- e) the company has duly complied with the requirements of Section 78 of the Securities Act, 2015, and relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at June 30, 2019.

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


CHARTERED ACCOUNTANTS

Lahore:

26 SEP 2019

YASIR MAHMOOD SECURITIES (PVT.) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	6	1,798,409	1,943,744
Intangible assets	7	8,099,167	8,214,167
Long term investments	8	18,655,666	9,168,970
Long term deposits	9	1,727,500	1,827,500
Deferred taxation	17	-	-
		30,280,742	21,154,381
CURRENT ASSETS			
Trade debts	10	3,919,352	6,712,477
Investment at fair value through profit and loss	11	13,125,528	18,106,127
Loans and advances	12	385,388	451,521
Trade deposits, short term prepayments and current account balances with statutory authorities	13	3,768,241	1,555,537
Other receivable	14	-	-
Interest accrued		239,535	73,240
Cash and bank balances	15	53,307,543	35,735,391
		74,745,587	62,634,293
		105,026,329	83,788,674
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	45,001,000	45,001,000
Accumulated (loss)/Un-appropriated profit		(3,369,054)	4,630,326
Fair value adjustment reserve		1,276,896	(8,069,067)
		42,908,842	41,562,259
NON CURRENT LIABILITIES			
Deferred taxation	17	-	149,372
CURRENT LIABILITIES			
Deposits, accrued liabilities and advances	18	223,076	274,297
Trade and other payable	19	51,466,713	38,555,360
Accrued markup		439,734	298,933
Loan from banking company	20	9,987,964	2,948,453
Provision for taxation		-	-
		62,117,487	42,077,043
CONTINGENCIES AND COMMITMENTS			
	21	-	-
		105,026,329	83,788,674

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


CHIEF EXECUTIVE


DIRECTOR

YASIR MAHMOOD SECURITIES (PVT.) LIMITED
STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Brokerage and commission	22	7,663,665	9,019,072
Capital loss on investment in listed securities		(4,279,276)	(118,625)
		3,384,389	8,900,447
Direct cost	23	2,475,398	1,935,004
		908,991	6,965,443
Operating expenses	24	(13,638,356)	(14,374,607)
Other operating expenses	25	(693,208)	(5,975,590)
Other income	26	7,078,563	4,147,865
		(7,253,001)	(16,202,332)
OPERATING LOSS		(6,344,010)	(9,236,889)
Finance cost	27	(1,659,663)	(904,374)
LOSS BEFORE TAXATION		(8,003,673)	(10,141,263)
Taxation	28	(193,970)	(1,487,372)
LOSS FOR THE YEAR		(8,197,643)	(11,628,635)
-----R u p e e s-----			
EARNINGS PER SHARE-BASIC AND DILUTED	29	(1.82)	(2.58)

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


CHIEF EXECUTIVE


DIRECTOR

YASIR MAHMOOD SECURITIES (PVT.) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
Loss for the year	(8,197,643)	(11,628,635)
Items that will not be reclassified subsequently to statement of profit or loss	-	-
Gain / (loss) on investment categorised as fair value through other comprehensive income	9,544,226	(2,796,601)
Items that may be reclassified subsequently to statement of profit or loss		
Loss on investment categorised as FVTOCI	-	(44,462)
Mutual funds		
Other comprehensive income/(loss) for the year	9,544,226	(2,841,063)
Total comprehensive income/(loss) for the year	<u>1,346,583</u>	<u>(14,469,698)</u>

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


CHIEF EXECUTIVE


DIRECTOR

YASIR MAHMOOD SECURITIES (PVT.) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Loss before taxation

Adjustments for non cash items:

Depreciation
Amortization
Impairment
Interest expense
Unrealized loss on re-measurement of investments
Loss on disposal of fixed asset

Note	2019 Rupees	2018 Rupees
	(8,003,673)	(10,141,263)
6	247,482	290,962
7	115,000	115,000
	-	1,600,000
	1,594,378	860,795
11	610,470	4,366,835
	(296)	-
	<u>2,567,034</u>	<u>7,233,592</u>
	(5,436,639)	(2,907,671)

Operating cash Flows Before Working capital changes

Changes in Working Capital

(Increase) / decrease in current assets

Accounts receivables
Loans and advances
Trade deposits, short term prepayments
Interest accrued

Increase / (decrease) in current liabilities

Deposits, accrued liabilities and advances
Trade and other payable

2,793,125	3,048,916
66,133	60,000
(1,487,365)	(129,938)
(166,295)	(4,027)
(51,221)	43,945
12,911,353	(13,111,074)
<u>14,065,730</u>	<u>(10,092,178)</u>

Cash Outflow From Operations

Taxes paid
Interest cost paid

(1,068,681)	(926,348)
(1,453,577)	(710,699)
<u>(2,522,258)</u>	<u>(1,637,047)</u>

Net cash Flows From Operating Activities

6,106,833 (14,636,896)

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditures
Sales proceeds from disposal of fixes assets
Short term investments
Long term investment
Long term deposits

(102,351)	(32,750)
500	-
4,370,129	3,211,404
57,530	(1,930)
100,000	(500,000)

Net cash Flows From Investing Activities

4,425,808 2,676,724

CASH FLOWS FROM FINANCING ACTIVITIES

NET INCREASE IN CASH AND CASH EQUIVALENTS

10,532,641 (11,960,172)

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR

32,786,938 44,747,110

CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

A 43,319,579 32,786,938

A Cash and Cash Equivalents

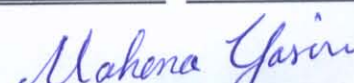
Short term running finance
Cash and bank balances

20 (9,987,964) (2,948,453)
15 53,307,543 35,735,391

43,319,579 32,786,938

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


CHIEF EXECUTIVE


DIRECTOR


YASIR MAHMOOD SECURITIES (PVT.) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

Paid up capital	Accumulated (loss)/ Un-appropriated profit	Fair value adjustment reserve	Total
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----- (R u p e e s) -----

Balance as at June 30, 2017	45,001,000	16,258,961	(5,228,004)	56,031,957
Loss after taxation	-	(11,628,635)	-	(11,628,635)
Other comprehensive loss	-	-	(2,841,063)	(2,841,063)
Total comprehensive loss for the year	-	(11,628,635)	(2,841,063)	(14,469,698)
Balance as at June 30, 2018	45,001,000	4,630,326	(8,069,067)	41,562,259
Impact of reclassification (note 3.1)	-	198,263	(198,263)	-
Balance as at June 30, 2018	45,001,000	4,828,589	(8,267,330)	41,562,259
Loss after taxation	-	(8,197,643)	-	(8,197,643)
Other comprehensive income	-	-	9,544,226	9,544,226
Total comprehensive loss for the year	-	(8,197,643)	9,544,226	1,346,583
Balance as at June 30, 2019	45,001,000	(3,369,054)	1,276,896	42,908,842

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


CHIEF EXECUTIVE


DIRECTOR

YASIR MAHMOOD SECURITIES (PVT.) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1 COMPANY AND ITS OPERATION

- 1.1** Yasir Mahmood Securities (Private) Limited ("the Company") was incorporated on June 05, 2006 as a private limited Company under the repealed Companies Ordinance, 1984. The Company is principally engaged in the business of brokerage, financial consultancy, underwriting, portfolio management/acquisition of securities and securities research. The registered office of the Company is situated at 2nd Floor, Room # 205, 19- Khayaban-e-Aiwan-e-Iqbal, Lahore Stock Exchange Building, Lahore.

The company is holder of Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange.

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:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards 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 ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policy notes.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Pakistani Rupee, which is the company's functional and presentation currency.

2.4 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision 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 revision and future periods if the revision affects both current and future periods.

Judgments and estimates made by management that may have a significant risk of material adjustments to the financial statements in subsequent years are as follows:

- Estimation of provision against doubtful trade debts
- Valuation of investment in ordinary shares of LSE Financial Services Limited
- Useful life of depreciable assets
- Intangible assets
- Taxation

3 New standards, amendments to approved accounting standards and new interpretations


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

There are certain new standards, interpretations and amendments to approved accounting standards which are mandatory for the Company's accounting periods beginning on or after July 1, 2018 but are considered not to be relevant or have any significant effect on the Company's financial reporting, except as mentioned below:

- IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 'Revenue', IAS 11 'Construction Contracts', and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognise revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those promised goods or services.

As a result, the Company has considered affects due to application of this standard and concluded that there is no material impact resulting from such adoption.

- IFRS 9 'Financial Instruments' - This standard replaces guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. It includes requirements on the classification and measurement of financial assets and liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting; it also includes an expected credit losses impairment model that replaces the current incurred loss impairment model.
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As a result of application of IFRS 9, investments in mutual funds amounting to Rs.477,057 as at July 1, 2018 have been reclassified from 'available for sale' to 'fair value through profit or loss'. In accordance with the transitional provisions of IFRS 9, comparative figures and their related gains/(losses) have been reclassified in the opening statement of financial position. Further, the company elected to present in other comprehensive income changes in fair value of equity investment previously classified as available-for-sale, as this investment is not for trading. As a result, asset with a fair value of Rs.8.69 million was reclassified from available-for-sale financial asset to financial asset at fair value through other comprehensive income (FVTOCI) on July 01, 2018. Further, all financial assets previously classified under the head 'loans and receivables' are now classified as 'amortised cost'.

3.2 New standards, amendments to approved accounting standards and interpretations that are effective for the Company's accounting periods beginning on or after July 1, 2019

There are certain new standards, amendments and interpretations to the approved accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2019. However, these will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (if any).

Depreciation is charged on reducing balance method at the rates mentioned in the relevant notes to the financial statements. Depreciation on additions is charged for the month in which an asset is acquired while no depreciation is charged for the month in which an asset is disposed off. Normal repair and maintenance is charged to revenue as and when incurred, while major renewals and replacements are capitalized.

Gain or loss on disposal of property and equipment, if any is taken to profit and loss account.

4.2 INTANGIBLE ASSETS

Intangible assets with finite useful life are stated at cost less amortization and 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 carrying value exceeds estimated recoverable amount, it is written down to estimated recoverable amount.

4.2.1 Membership card and offices

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.

4.2.2 Computer Software

Expenditure incurred to acquire identifiable computer software and having probable economic benefits exceeding the cost beyond one year, is recognized as an intangible asset. Such expenditure includes the purchase cost of software (license fee) and related overhead cost.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

Costs which enhance or extend the performance of computer software beyond its original specification and useful life is recognized as capital improvement and added to the original cost of the software.

Computer software and license costs are stated at cost less accumulated amortization and any identified impairment loss and amortized through straight line method.

Amortization is charged when asset is available for use until asset is disposed off.

4.3 Financial instruments

4.3.1 Financial assets

The Company classifies its financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

a) Financial assets at amortised cost

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.


b) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Financial assets are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.



Equity instrument financial assets/mutual funds are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

4.3.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

4.3.3 Off-setting of financial assets and financial liabilities

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

4.4 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognized at fair value. Any directly attributable transaction costs are recognised in the statement of profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in statement of profit or loss.

4.5 TRADE DEBTS AND OTHER RECEIVABLES

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognised at fair value. The Company holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortised cost using the effective interest method. Impairment of trade debts and other receivables is described in note 4.3.

4.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash balances and call deposits. For the purpose of cash flow statement cash and cash equivalents comprise cash in hand, bank balances and running finances.

4.7 SHARE CAPITAL

Ordinary shares are classified as equity and recognized at their face value.

4.8 BORROWINGS

Borrowings are recorded initially at fair value, net of transaction cost incurred.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that qualifying asset.

4.9 TAXATION

Current

Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits, brought forward losses, accelerated depreciation allowances and any minimum limits imposed by the taxation laws.

Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognized for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset may be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized for all the taxable temporary differences.

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted by the reporting date.

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to comprehensive income or equity, in which case it is included in comprehensive income or equity.

4.10 TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at cost, which is the fair value of the consideration to be paid, in the future for goods and services received and subsequently measured at amortized cost.

4.11 PROVISIONS

Provisions are recognized when the company has a legal or constructive obligation as a result of past events and it is probable that an out flow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent assets are not recognized and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognized and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

4.12 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

Transactions denominated in foreign currencies are translated to Pakistan Rupees at the exchanges rate ruling at the date of transaction.

Monetary assets and liabilities in foreign currencies at reporting date are translated into Pakistan Rupees at exchange rates ruling on that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

4.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of non-financial assets other than inventories, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised as an expense in the profit of loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessment of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

4.14 REVENUE RECOGNITION

Revenue is recognised when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable, net of any discounts and sales tax. Revenue is recognized on the following basis:


- Brokerage, consultancy and advisory fee, commission etc. are recognized as and when such services are provided, and thereby the performance obligations are satisfied.
- Profit on saving accounts, profit on exposure deposits and markup on marginal financing is recognized at effective yield on time proportion basis.
- Gains/(losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Dividend income is recorded when the right to receive the dividend is established.
- Unrealised gains / (losses) arising on revaluation of securities classified as 'fair value through other comprehensive income' are included in other comprehensive income in the period in which they arise.
- Unrealised gains / (losses) arising on revaluation of securities classified as 'fair value through profit or loss' are included in profit or loss in the period in which they arise.
- Other revenues are recorded, as and when due, on accrual basis.

4.15 BASIC AND DILUTED EARNINGS PER SHARE

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.16 RELATED PARTY TRANSACTIONS

Transactions and contracts with the related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method. Transactions with related parties have been disclosed in the relevant notes to the financial statements.



4.17 TRADE DATE ACCOUNTING

All "regular way" purchases and sales of financial assets are recognized on the trade date, i.e. the date on which the Company commits to purchase or sell an asset. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market.

5 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

During the current year, economic and political scenarios' deterioration had immense adverse effects on the performance of the equity bourse, depressing sentiments in the investment climate and subsequently denting volumes, resultantly our short term investment portfolio yielded meager profits. This is reflected in Profit and Loss account.

We refer to profit and loss account and notes to the financial statements for understanding of performance of the company. *h*

6 Property and equipment

[illegible]

6.1 Property and equipment

Property and equipment							
Particulars	Cost			Rate %	Depreciation		W.D.V. As at June 30, 2018
	As at June 30, 2017	Additions	Deletion		As at June 30, 2017	charge for the year	
<hr/> <div><div><div>-----Rupees-----</div><div>-----Rupees-----</div></div><hr/></div>							
OWNED							
Computers	1,454,425	21,800	-	33	1,161,363	99,708	215,154
Furniture and fixtures	224,964	-	-	10	139,263	8,570	77,131
Office equipment	520,686	-	-	10	326,867	19,382	174,437
Electric equipment	764,126	10,950	-	10	353,424	41,435	380,217
Vehicle	1,400,000	-	-	10	181,328	121,867	1,096,805
	4,364,201	32,750	-		2,162,245	290,962	1,943,744

7 INTANGIBLE ASSETS

Rights of room

Trading right entitlement certificate (TREC)

Carrying value as per July 01, 2018

Less : Impairment

Membership deposit-Royal Palm Country Club

Computer software

Note	2019 Rupees	2018 Rupees
	5,000,000	5,000,000
7.1	2,500,000 400,000	4,100,000 (1,600,000)
7.2	199,167	314,167
	8,099,167	8,214,167

7.1 This represents Trading Right Entitlement Certificate (TREC) received from the Pakistan Stock Exchange Limited without any additional payment, in lieu of TREC issued by the Lahore Stock Exchange Limited, surrendered on, January 10, 2016 on the consequence of Scheme(s) of Integration approved by the Securities and Exchange Commission of Pakistan vide Order No. 01/2016 dated January 11, 2016 under regulation 6 (8) of the Stock Exchange (Corporatization, Demutualization and Integration) Regulations, 2012. The Trading Right Entitlement Certificate is pledged/mortgaged with the Pakistan Stock Exchange Limited as a collateral for running the brokerage business and to meet partly, the Base Minimum Capital Requirement. It has been carried at cost less impairment.

7.2 Computer software

Particulars	Cost		Rate %	Amortization		W.D.V.
	As at June 30, 2018	Additions/ (Deletions)		As at June 30, 2018	charge for the year 30, 2019	
Computer software	1,659,000	-	20	1,344,833	115,000	1,459,833
						199,167

-----Rupees-----

7.2.1 Computer software

Particulars	Cost		Rate %	Amortization		W.D.V.
	As at June 30, 2017	Additions/ (Deletions)		As at June 30, 2017	charge for the year 30, 2018	
Computer software	1,659,000	-	20	1,229,833	115,000	1,344,833
						314,167

-----Rupees-----

7.2.2 This includes fully amortized software having cost and accumulated depreciation of Rs. 1,084,000.

8 LONG TERM INVESTMENTS

Unquoted - shares of LSE Financial Services Limited:

Fair value through OCI

Cost as at July 01,

Fair value adjustment

Note

2019
Rupees

2018
Rupees

8.1

16,959,243

1,276,896

18,236,139

16,959,243

(8,267,330)

8,691,913

Investment in mutual funds:

Fair value through profit or loss

Cost as at July 01,

Add: Dividend reinvested

Fair value adjustment

8.2

278,794

6,407

285,201

134,326

419,527

18,655,666

276,864

1,930

278,794

198,263

477,057

9,168,970

8.1 Pursuant to the promulgation of the Stock Exchanges (Corporation, Demutualization and Integration) Act, 2012 (The Act), The Lahore Sock Exchange Limited, now LSE Financial Services Limited had allotted 843,975 shares of the face value of Rs. 10 each to the TREC holder. All shares are held in freeze status in the respective CDC sub-account of the TREC holder. The divestment of the same will be made in accordance with the requirements of the Act within one year from the date of Scheme(s) of Integration approved by the Securities and Exchange Commission of Pakistan vide Order No. 01/2016 dated January 11, 2016 under regulation 6 (8) of the Stock Exchange (Corporatization, Demutualization and Integration) Regulations, 2012. The Company has pledged 843,875 shares of LSE Financial Services Limited with the Pakistan Stock Exchange to fulfill the Base Minimum Capital requirement.

The Company, as per its policy, carried out the valuation of the aforementioned investments. In this connection, the valuation technique used by the Company was Discounted Cash Flow of Earnings method. Assumptions and inputs used in the valuation are post-tax earnings, historic growth rate of earning, rate of return on equity, risk premium. Principal assumptions used in the valuation of above unquoted investments are based on current market/industry conditions in respect of discount rate and growth rate. Business net cash flow forecast over an indefinite (infinity) has been assumed.

8.2 Investment in mutual funds

Carrying value July 01,

Dividend reinvested

Carrying value as at June 30,

Loss on re-measurement of fair

value of investment as at June 30,

Note

2019
Rupees

2018
Rupees

477,057

6,407

483,464

(63,937)

419,527

519,589

1,930

521,519

(44,462)

477,057

	Note	2019 Rupees	2018 Rupees
9 LONG TERM DEPOSITS			
Deposit with:			
National Clearing Company of Pakistan Ltd.		1,400,000	1,500,000
LSE Financial Services Limited		100,000	100,000
Central Depository Company Limited		100,000	100,000
Others		127,500	127,500
		<u>1,727,500</u>	<u>1,827,500</u>
10 Trade debts			
Receivable from clients on account of:			
Purchase of shares on behalf of clients		1,226,558	1,372,916
Receivables from related party	10.1	-	239
Less: Provision for doubtful debts	10.2	(46,554)	(27,753)
	10.3	1,180,004	1,345,402
National Clearing Company of Pakistan Ltd.		2,739,348	5,367,075
		<u>3,919,352</u>	<u>6,712,477</u>
10.1 Receivable from related party			
Mrs. Mahena Yasir-Director		-	239
10.2 Provision for doubtful debts			
Opening balance		27,753	18,998
Provision made during the year		18,801	8,755
		<u>46,554</u>	<u>27,753</u>
10.3 Aging Analysis			
Upto five days		157,305	203,570
More than five days		1,022,690	1,141,832
		<u>1,179,995</u>	<u>1,345,402</u>
11 INVESTMENT AT FAIR VALUE THROUGH PROFIT AND LOSS			
Listed Companies			
Carrying value	11.1	13,735,998	22,472,962
Loss on remeasurement of fair value of investment as at June 30,		(610,470)	(4,366,835)
		<u>13,125,528</u>	<u>18,106,127</u>
11.1 This includes shares having carrying value of Rs.1,273,100 (2018: Rs. 4,605,770) pledged with National Clearing Company of Pakistan Limited.			

	Note	2019 Rupees	2018 Rupees
12 LOANS AND ADVANCES			
Un-secured but considered good			
Advances to:			
Employees		<u>385,388</u>	<u>451,521</u>
13 TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND CURRENT ACCOUNT BALANCE WITH STATUTORY AUTHORITIES			
Deposits with:			
National Clearing Company of Pakistan Ltd.	13.1	2,400,000	900,000
Prepayments		72,042	73,480
Tax deducted at source		1,296,199	570,860
Sales tax adjustable		<u>-</u>	<u>11,197</u>
		<u>3,768,241</u>	<u>1,555,537</u>

- 13.1** This represents deposit with National Clearing Company of Pakistan Limited against exposure margin in respect of trade in future and ready market. These deposits carry profit at rates ranging from 3.5% to 10% (2018: 2.8% to 3.8%) per annum.

	Note	2019 Rupees	2018 Rupees
14 OTHER RECIEVABLE			
Other receivable		1,983,000	1,983,000
Less: Provision against other receivables	14.1	<u>(1,983,000)</u>	<u>(1,983,000)</u>
		<u>-</u>	<u>-</u>

- 14.1** This represents provision made against balance amount due from a former employee against fraud committed by him. The Company is pursuing the matter with the police and in a court of law and is hopeful that it will be able to recover the amount. However, as a matter of prudence, the balance amount receivable has been fully provided for in these financial statements.

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	Note	2019 Rupees	2018 Rupees
17 DEFERRED TAXATION			
Deferred tax liabilities/(assets) arising due to:			
Accelerated tax depreciation		169,388	156,292
Accelerated tax amortization		(313)	(290)
Provision against receivables		(11,991)	(6,630)
Minimum Tax		(168,586)	-
Taxable losses		(800,924)	-
		<u>(812,426)</u>	<u>149,372</u>
Balance as at July 01,		149,372	-
Less: charge for the year		<u>(812,426)</u>	<u>149,372</u>
		<u>(663,054)</u>	<u>149,372</u>

- 17.1** At year end, net deductible temporary differences amounting Rs. 2,388,723 which results in a net deferred tax asset of Rs. 663,054. However, deferred tax asset has not been recognized in these financial statements being prudent. The Management of the Company is of the view that recognition of deferred tax asset shall be reassessed as at June 30, 2020.

	Note	2019 Rupees	2018 Rupees
18 DEPOSITS, ACCRUED LIABILITIES AND ADVANCES			
Accrued expenses		<u>223,076</u>	<u>274,297</u>
19 TRADE AND OTHER PAYABLE			
Creditors for sale of shares on behalf of clients	19.1 & 19.2	51,403,021	38,463,600
Tax deducted at source payables		8,497	13,491
Sales tax payable		<u>55,195</u>	<u>78,269</u>
		<u>51,466,713</u>	<u>38,555,360</u>

- 19.1** The total value of securities pertaining to clients are Rs. 526,480,931 (2018: Rs. 730,447,654) held in sub-accounts of the company. No security is pledged by client to the financial institutions except with NCCPL amounting Rs. 16,580,740 (2018: Rs. 17,718,190) for exposure.

- 19.2** Creditors for sale of shares on behalf of clients include the following amount due to related parties:

Name of related party	Basis of relationship	2019 Rupees	2018 Rupees
Muhammad Yasir Mahmood	Chief Executive	22,303	120,900
Ms. Mahena Yasir	Director	761	-
		<u>23,064</u>	<u>120,900</u>

	Note	2019 Rupees	2018 Rupees
20 LOAN FROM BANKING COMPANY			
From financial instruction - Running finance	20.1	<u>9,987,964</u>	<u>2,948,453</u>
<p>20.1 The company has been sanctioned a credit limit of Rs. 20.00 million (2018: Rs. 15.00 million) by the JS Bank Limited. It is secured by pledge of proprietary shares registered with CDC and personal guarantee of the all directors. It carries mark up at the rate of one month KIBOR plus 600 basis points (2018: one month KIBOR plus 600 basis points p.a.).</p>			
21 CONTINGENCIES AND COMMITMENTS			
Contingencies			
Refer to note 14.1			
Commitments			
Commitments as at reporting date were Rs. Nil (2018: Rs. Nil).			
	Note	2019 Rupees	2018 Rupees
22 BROKERAGE AND COMMISSION			
Retail Customers		8,889,851	10,462,124
Less: Sales Tax		<u>(1,226,186)</u>	<u>(1,443,052)</u>
	22.1	<u>7,663,665</u>	<u>9,019,072</u>
22.1 Name of related party	Basis of relationship		
Muhammad Yasir Mahmood	Chief Executive	<u>1,383</u>	<u>26,414</u>
	Note	2019 Rupees	2018 Rupees
23 DIRECT COST			
Charges paid to:			
National Clearing Company trade fee		383,799	322,821
Central Depository Company charges		846,537	725,270
Pakistan Stock Exchange expense		624,931	146,024
LSE Financial Services Limited expenses		69,937	75,092
Commission paid		<u>550,194</u>	<u>665,797</u>
		<u>2,475,398</u>	<u>1,935,004</u>

	Note	2019 Rupees	2018 Rupees
24 OPERATING EXPENSES			
Directors' remunerations		6,600,000	6,600,000
Salaries and other benefits		4,691,476	4,820,743
Rent, rates and taxes		6,984	48,654
Traveling and conveyance		47,000	47,872
Utilities		195,233	146,707
Communication charges		392,685	461,537
Printing and stationery		105,405	119,538
Repairs and maintenance		203,740	260,216
Fee and subscription		175,425	307,081
Legal and professional charges	24.1	315,500	515,130
News papers and periodicals		8,094	6,228
Entertainment		253,132	268,321
Insurance		115,688	103,848
Postage and telegram		117,605	176,663
Donation		15,619	-
Depreciation	6	247,482	290,962
Amortization	7	115,000	115,000
Miscellaneous expenses		32,288	86,107
		<u>13,638,356</u>	<u>14,374,607</u>

24.1 Auditors' remuneration

The audit fee and remuneration for other services included in the financial statements is as follows:

	Note	2019 Rupees	2018 Rupees
Amin, Mudassar & Co.			
Statutory audit		78,750	73,500
Certification fee		52,500	107,380
		<u>131,250</u>	<u>180,880</u>

25 OTHER OPERATING EXPENSES

Provision for doubtful debts		18,801	8,755
Un-realised loss on remeasurement of investment at fair value through profit & loss		674,407	4,366,835
Impairment	7.1	-	1,600,000
		<u>693,208</u>	<u>5,975,590</u>

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	Note	2019 Rupees	2018 Rupees
26 OTHER INCOME			
Income from financial assets			
Dividend income		1,222,977	642,338
Profit on bank deposits		3,878,685	2,350,191
Gain on disposal of asset		296	-
		<u>5,101,958</u>	<u>2,992,529</u>
Income from assets other than financial assets			
Account maintenance and custody fee		854,723	774,751
IPO Commission		32,553	-
Other income		1,089,329	380,585
		<u>1,976,605</u>	<u>1,155,336</u>
		<u><u>7,078,563</u></u>	<u><u>4,147,865</u></u>
27 FINANCE COST			
Markup on borrowings		1,594,378	860,795
Bank charges		65,285	43,579
		<u>1,659,663</u>	<u>904,374</u>
28 TAXATION			
Income tax:			
-Current		343,342	1,392,113
-Prior year		-	(54,113)
-Deferred		<u>(149,372)</u>	<u>149,372</u>
	28.1	<u><u>193,970</u></u>	<u><u>1,487,372</u></u>

28.1 Income tax assessment of the Company have been finalized up to tax year 2018 on the basis of returns filed as the company did not receive any notice in this respect.

28.2 No numeric tax rate reconciliation was presented in for the year ended 2019 as the company was either liable to pay tax under final tax regime or minimum tax u/s 113 of Income Tax Ordinance 2001.

28.3 The Company has been selected for tax audit under Section 214-D of the Income Tax Ordinance, 2001 for the audit of the Income Tax affairs U/S 177 for the tax year 2016 through notice no. 100000024391654 dated October 13, 2017 issued by the Deputy Commissioner Inland Revenue (DCIR). Further, the Income Tax Authorities initiated the proceedings U/S 122(9) of the Ordinance to amend the assessment order of aforesaid tax year through notice no. 100000030373722 dated February 21, 2018. The Company has submitted all requisite information with the Income Tax Authorities through its representative. However, no further correspondence has been received by the Company from the Income Tax Department till date.

The Income Tax Authorities has initiated the proceedings under Section 161 (1A) of the Income Tax Ordinance, 2001, against the Company for the tax year 2013, 2014, 2015 and 2016. The company has duly complied the said notices by submitting requisite information with the income tax authorities. However, no order has been passed till date. The Company has also received notice under Rule 44(4) of Income Tax Rules, 2002 for the tax year 2018. The Company has submitted all requisite information with the Income Tax Authorities through its representative. However, no further correspondence has been received by the Company from the Income Tax Department till date.

29 EARNINGS PER SHARE-BASIC AND DILUTED

Loss for the year - Rupees	<u>(8,197,643)</u>	<u>(11,628,635)</u>
Weighted average number of ordinary shares outstanding during the year - Numbers.	<u>4,500,100</u>	<u>4,500,100</u>
Earnings per share-Rupees	<u>(1.82)</u>	<u>(2.58)</u>

30 NUMBER OF EMPLOYEES

	2019 (-----N u m b e r-----)	2018
Number of employees at the end of year	<u>12</u>	<u>13</u>
Average number of employees during the year	<u>12</u>	<u>10</u>

31 REMUNERATION TO CHIEF EXECUTIVE AND DIRECTORS

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits to the chief executive and directors of the company is as follows:

	2019 -----Rupees-----		
	Chief Executive	Director	Total
Managerial Remuneration	<u>3,300,000</u>	<u>3,300,000</u>	<u>6,600,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>
	2018 -----Rupees-----		
Managerial Remuneration	<u>3,300,000</u>	<u>3,300,000</u>	<u>6,600,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>

The Chief Executive and directors are entitled to free use of cars according to the company's policy. ✓

32 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets and financial liabilities:

Financial assets

At fair value through other comprehensive income:

Long term investment

2019 Rupees	2018 Rupees
<u>18,236,139</u>	<u>8,691,913</u>

At fair value through profit and loss:

Investment in mutual funds

419,527	477,057
---------	---------

Listed Companies

<u>13,125,528</u>	<u>18,106,127</u>
-------------------	-------------------

<u>13,545,055</u>	<u>18,583,184</u>
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At Amortised Cost:

Long term deposits

1,727,500	1,827,500
-----------	-----------

Trade debts

3,919,352	6,712,477
-----------	-----------

Trade deposits

2,400,000	900,000
-----------	---------

Interest accrued

239,535	73,240
---------	--------

Cash and bank balances

53,307,543	35,725,672
------------	------------

<u>61,593,930</u>	<u>45,238,889</u>
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Financial liabilities

Financial liabilities at amortized cost

Deposits, accrued liabilities and advances

223,076	274,297
---------	---------

Trade and other payables

51,466,713	38,555,360
------------	------------

Accrued markup

439,734	298,933
---------	---------

Loan from banking company

9,987,964	2,948,453
-----------	-----------

Provision for taxation

-	-
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<u>62,117,487</u>	<u>42,077,043</u>
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33 FINANCIAL RISK MANAGEMENT

33.1 The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest/mark-up rate risk and price risk). 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. Overall, risks arising from the company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous periods in the manner described in notes below.

The company's exposure to financial risks, the way these risks affect revenues, expenses, assets, liabilities and forecast transactions of the company and the manner in which each of these risks are managed is as follows:

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to Credit Risk

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, short term loans, deposits, receivable / payable against sale of securities 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, obtain authorized approvals and arrange for necessary collaterals in the form of equity securities to reduce credit risks and other factors. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

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

	Note	2019 Rupees	2018 Rupees
Long term investment		18,655,666	9,168,970
Long term deposits		1,727,500	1,827,500
Trade deposits		3,768,241	1,555,537
Trade debts	33.1.1	3,919,352	6,712,477
Bank balances	33.1.2	53,305,048	35,735,391
		<u>81,375,807</u>	<u>54,999,875</u>

33.1.1 The maximum exposure to credit risk for trade debts is due from local clients and the aging of trade debts at the reporting date was:

	2019 Rupees	2018 Rupees
The aging of trade debts at the reporting date was:		
Upto 1 month	3,463,294	6,387,397
1 to 6 months	-	25,194
More than 6 months	456,058	299,886
	<u>3,919,352</u>	<u>6,712,477</u>

Based on the past experience the management believes that no impairment allowance is necessary in respect of unprovided past due amounts as there are reasonable grounds to believe that the amounts will be recovered in short course of time.

33.1.2 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate exposure is significant in relation to the Company's total exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Geographically there is no concentration of credit risk.

The credit quality of Company's liquid funds can be assessed with reference to external credit ratings as follows:

	Note rating	2019 Rupees	2018 Rupees
Cash at banks	A1+	<u>53,305,048</u>	<u>35,725,672</u>

b) Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. 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, without incurring unacceptable losses or risking damage to the company's reputation. The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

	2019			
	Carrying Amount	Contractual Cash Flows	Maturity up to one year	Maturity after one year
	-----R u p e e s-----			
Deposits, accrued liabilities and advances	223,076	223,076	223,076	-
Trade and other payables	51,466,713	51,466,713	51,466,713	-
Accrued interest	439,734	439,734	439,734	-
Loan from banking company	9,987,964	9,987,964	9,987,964	-
	<u>62,117,487</u>	<u>62,117,487</u>	<u>62,117,487</u>	<u>-</u>

2018			
Carrying Amount	Contractual Cash Flows	Maturity up to one year	Maturity after one year
-----R u p e e s-----			

Deposits, accrued liabilities and advances	274,297	274,297	274,297	-
Trade and other payables	38,555,360	38,555,360	38,555,360	-
Accrued interest	298,933	298,933	298,933	-
Loan from banking company	2,948,453	2,948,453	2,948,453	-
	<u>42,077,043</u>	<u>42,077,043</u>	<u>42,077,043</u>	<u>-</u>

Liquidity Risk Management

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, without incurring unacceptable losses or risking damage to the company's reputation.

The company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the company ensures that it has sufficient cash on demand to meet expected operational cash flows, including serving of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer.

c) Market Risk

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

i) Foreign 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. *A*

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. Presently, daily stock market fluctuation is controlled by government authorities with cap and floor of 5%. The restriction of floor prices reduces the volatility of prices of equity securities and the chances of market crash at any moment. 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, which includes disposing of its own equity investment and collateral held before it led the company to incur significant mark to market and credit losses. The Company is exposed to equity price risk since it has investments in quoted equity securities and also the company holds collaterals in the form of equity securities against their debtor balances at the reporting date.

iii) Sensitivity Analysis

The table below summarizes Company's equity price risk as of 30 June 2019 and 2018 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices of investments through profit and loss as at the year end 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 Rupees	Hypothetical Price Change	Estimated Fair Value After Hypothetical 1 Change In Price Rupees	Hypothetical Increase/(De crease) in Share Holders' Equity Rupees
June 30, 2019	13,545,055	10% increase	14,899,561	1,354,506
		10% decrease	12,190,550	(1,354,506)
June 30, 2018	18,583,184	10% increase	20,441,502	1,858,318
		10% decrease	16,724,866	(1,858,318)

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.

Sensitivity Analysis

The company is exposed to interest rate risk in respect of its variable rate instruments. A 100 basis points increase in variable interest rates would have increased profit by Rs. 44,740 (2018: 324,932). A 100 basis points decrease in variable interest rate would have had an equal but opposite impact on profit. This sensitivity analysis is based on assumption that all variables, with the exception of interest rates, remain unchanged.

33.2 Fair value of financial instruments

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.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The estimated fair value of all financial assets and liabilities is considered not significantly different from book values as the items are either short - term in nature or periodically reprised.

International Financial Reporting Standard 13, 'Financial Instruments : Disclosure' requires the company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2) ; and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

	2019		
	Level 1	Level 2	Level 3
	-----Rupees-----		
Financial assets			
Investment at FVTOCI	-	18,236,139	-
Investment at fair value through profit and loss	13,545,055	-	-
	<u>13,545,055</u>	<u>18,236,139</u>	<u>-</u>

	2018		
	Level 1	Level 2	Level 3
	-----Rupees-----		
Financial assets			
Investment at FVTOCI	-	8,691,913	-
Investment at fair value through profit and loss	18,583,184	-	-
	<u>18,583,184</u>	<u>8,691,913</u>	<u>-</u>

33.3 Capital risk management

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.

In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt.

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 and expectation of the shareholders. Debt is calculated as total borrowings. Total capital and fair value reserve are included in shareholders' equity:


	2019 Rupees	2018 Rupees
Total borrowings	9,987,964	2,948,453
Total equity	<u>42,908,842</u>	<u>41,562,259</u>
Total capital	<u>52,896,806</u>	<u>44,510,712</u>
Gearing ratio	<u>23%</u>	<u>7%</u>

34 OPERATING SEGMENT

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

34.2 All non-current assets of the Company at June 30, 2019 are located in Pakistan.

35 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of the Companies Act, 2017 and for the purposes of comparison and better presentation. Following major reclassification has been made: 

Reclassification from
statement of financial
position

Reclassification to statement
of financial position

2018
Rupees

Long term deposits

Intangible assets

400,000

36 GENERAL

Figures have been rounded off to the nearest of rupee.

37 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 26 SEP 2019 by the
Board of Directors of the company. *N*


CHIEF EXECUTIVE


DIRECTOR