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

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

Russell Bedford

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

**To the members of Memon Securities (Private) Limited**

**Report on the Audit of the Financial Statements**

**Opinion**

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

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

**Basis for Opinion**

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

**Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

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

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**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as 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) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980);

e) the Company was in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licencing and Operations) Regulations, 2016 as at the date on which the balance sheet 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: 27 SEP 2019

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

| | Note | 2019 | (Restated) 2018 | (Restated) 2017 |
|---|---|---|---|---|
| | | Rupees | | |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property and equipment | 5 | 9,666,244 | 10,899,996 | 5,135,414 |
| Investment property | 6 | 1,659,896 | - | - |
| Intangible assets | 7 | 3,500,000 | 3,500,000 | 3,500,000 |
| Long term investment | 8 | - | 21,353,582 | 10,290,952 |
| Long term deposits | 9 | 4,010,200 | 4,010,200 | 3,515,009 |
| | | 18,836,340 | 39,763,778 | 22,441,375 |
| **Current assets** | | | | |
| Trade debts | 10 | 1,253,889 | 1,298,754 | 1,389,090 |
| Short term investments | 11 | 498,540,590 | 571,208,466 | 586,291,210 |
| Loan, advances and other receivables | 12 | 7,974,005 | 13,311,186 | 14,870,759 |
| Income tax refundable | 13 | 15,826,521 | 11,199,187 | 10,972,752 |
| Cash and bank balances | 14 | 57,451,391 | 68,999,902 | 88,875,668 |
| | | 581,046,396 | 666,017,495 | 702,399,479 |
| **Total assets** | | 599,882,736 | 705,781,273 | 724,840,854 |
| **EQUITIES AND LIABILITIES** | | | | |
| **Share capital and reserves** | | | | |
| *Authorized capital* | 15 | 100,000,000 | 100,000,000 | 100,000,000 |
| Issued, subscribed and paid up capital | 15 | 97,400,000 | 97,400,000 | 97,400,000 |
| Unappropriated profit | | 394,352,889 | 517,472,726 | 546,854,882 |
| Surplus on revaluation of investments | | - | 15,947,612 | 8,287,867 |
| General reserve | | 2,600,000 | 2,600,000 | 2,600,000 |
| | | 494,352,889 | 633,420,338 | 655,142,749 |
| **Current liabilities** | | | | |
| Trade and other payables | 16 | 74,929,340 | 72,360,935 | 69,698,105 |
| Short term borrowing | 17 | 30,600,507 | - | - |
| | | 105,529,847 | 72,360,935 | 69,698,105 |
| **Contingencies and commitments** | 18 | - | - | - |
| **Total equity and liabilities** | | 599,882,736 | 705,781,273 | 724,840,854 |

The annexed notes from 1 to 29 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

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

| | Note | 2019 | (Restated) 2018 |
|---|---|---|---|
| | | Rupees | |
| Commission and dividend income | 19 | 59,068,608 | 58,996,357 |
| Capital (loss) / gain on sale of investments | | (886,925) | 9,152,739 |
| | | 58,181,683 | 68,149,096 |
| Administrative expenses | 20 | (41,412,735) | (34,343,447) |
| Finance costs | 21 | (784,033) | (953,430) |
| | | (42,196,768) | (35,296,877) |
| Other income | 22 | 3,029,544 | 5,102,282 |
| | | 19,014,459 | 37,954,501 |
| Loss on re-measurement of investments carried at fair value through profit or loss - net | | (152,555,608) | (48,103,504) |
| **Profit before taxation** | | (133,541,149) | (10,149,003) |
| Taxation | 23 | (5,526,300) | (8,611,323) |
| **Profit after taxation** | | (139,067,449) | (18,760,326) |

The annexed notes from 1 to 29 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

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

| | 2019 | (Restated) 2018 |
|---|---|---|
| | Rupees | |
| Profit after taxation | (139,067,449) | (18,760,326) |
| Other comprehensive income | - | - |
| Unrealized gain or loss on remeasurement of long term investment | - | (6,412,085) |
| **Total comprehensive (loss) / income for the year** | (139,067,449) | (25,172,411) |

The annexed notes from 1 to 29 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

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

| | Issued, subscribed and paid up capital | Unappropriated profit | Surplus on revaluation of investments | General reserve | Total |
|---|---|---|---|---|---|
| | Rupees | | | | |
| **Balance as at July 01, 2016 (as previously reported)** | 97,400,000 | 313,885,729 | 182,585,252 | 2,600,000 | 596,470,981 |
| Effect of restatement | - | 182,585,252 | (182,585,252) | - | - |
| **Balance as at July 01, 2016 (as restated)** | 97,400,000 | 496,470,981 | - | 2,600,000 | 596,470,981 |
| Total comprehensive income for the year ended June 30, 2017 | | | | | |
| - Profit after taxation (Restated) | - | 50,383,901 | - | - | 50,383,901 |
| - Other comprehensive income (Restated) | - | - | 8,287,867 | - | 8,287,867 |
| | - | 50,383,901 | 8,287,867 | - | 58,671,768 |
| Balance as at June 30, 2017 (Restated) | 97,400,000 | 546,854,882 | 8,287,867 | 2,600,000 | 655,142,749 |
| **Balance as at July 01, 2017 (Restated)** | 97,400,000 | 546,854,882 | 8,287,867 | 2,600,000 | 655,142,749 |
| Declaration under amnesty | - | 3,450,000 | - | - | 3,450,000 |
| Total comprehensive income for the year ended June 30, 2018 | | | | | |
| - Profit after taxation (Restated) | - | (18,760,326) | - | - | (18,760,326) |
| - Other comprehensive income (Restated) | - | - | (6,412,085) | - | (6,412,085) |
| | - | (18,760,326) | (6,412,085) | - | (25,172,411) |
| Reclassification of surplus upon reclassification of long term investment to short term investment | - | (14,071,830) | 14,071,830 | - | - |
| **Balance as at June 30, 2018 (Restated)** | 97,400,000 | 517,472,726 | 15,947,612 | 2,600,000 | 633,420,338 |
| **Balance as at July 01, 2018 (Restated)** | 97,400,000 | 517,472,726 | 15,947,612 | 2,600,000 | 633,420,338 |
| Total comprehensive income for the year ended June 30, 2019 | | | | | |
| - Profit after taxation | - | (139,067,449) | - | - | (139,067,449) |
| - Other comprehensive income | - | - | - | - | - |
| | - | (139,067,449) | - | - | (139,067,449) |
| Reclassification of surplus on investment upon reclassification of long term investment to short term investment | - | 15,947,612 | (15,947,612) | - | - |
| **Balance as at June 30, 2019** | 97,400,000 | 394,352,889 | - | 2,600,000 | 494,352,889 |

The annexed notes from 1 to 29 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**MEMON SECURITIES (PVT.) LTD.**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED JUNE 30, 2019**

| | 2019 | *(Restated)* 2018 |
|---|---|---|
| | ——— Rupees ——— | |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Loss before taxation | (133,541,149) | (10,149,003) |
| **Adjustment for non-cash and other items:** | | |
| - Depreciation | 1,553,691 | 1,200,929 |
| - Finance cost | 784,033 | 953,430 |
| - Loss on re-measurement of investments carried at fair value through profit or loss - net | 152,555,608 | 48,103,504 |
| - Capital gain on sale of investments | 886,925 | (9,152,739) |
| | 155,780,257 | 41,105,124 |
| **Cash flow before working capital changes** | 22,239,108 | 30,956,121 |
| **Changes in working capital** | | |
| *Decrease in current assets* | | |
| Trade debts | 44,865 | 90,336 |
| Loan, advances, deposits and other receivables | 5,337,181 | 1,559,573 |
| | 5,382,046 | 1,649,909 |
| *Increase in current liabilities* | | |
| Trade and other payables | 2,568,405 | 2,662,830 |
| **Cash generated from operations** | 30,189,559 | 35,268,860 |
| Finance cost paid | (784,033) | (953,430) |
| Income tax paid | (10,153,634) | (8,837,758) |
| **Net cash generated from operating activities** | 19,251,892 | 25,477,672 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Purchase of property and equipment | (1,979,835) | (3,515,511) |
| Long term deposits | - | (495,191) |
| Purchase / sale of investments-net | (59,421,075) | (41,342,738) |
| **Net cash used in investing activities** | (61,400,910) | (45,353,440) |
| **Net decrease in cash and cash equivalents during the year** | (42,149,018) | (19,875,768) |
| **Cash and cash equivalents at the beginning of the year** | 68,999,902 | 88,875,668 |
| **Cash and cash equivalents at the end of the year** | 26,850,884 | 68,999,902 |

The annexed notes from 1 to 29 form an integral part of these financial statements.

**CHIEF EXECUTIVE**

**DIRECTOR**

## 1 STATUS AND NATURE OF BUSINESS

Memon Securities (Private) Limited ('the Company') was incorporated in Pakistan on August 03, 2000 as a private limited company under the repealed Companies Ordinance, 1984 ('the Ordinance') which has now been replaced by Companies Act, 2017 ('the Act').

The Company is a holder of Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited. The principal activities of the Company are investments, share brokerage, Initial Public Offer (IPO) underwriting, investment and portfolio management. Company's registered office is situated at Room No. 154, Pakistan Stock Exchange Building, Pakistan Stock Exchange Road, Karachi.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

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

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

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

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

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for investments classified as 'fair value through profit and loss ("FVTPL")' which are carried at fair value.

### 2.3 Functional and presentation currency

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

### 2.4 Use of estimates and judgments

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

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

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

- Useful lives and residual values of property and equipment. 3.2
- Useful lives and residual values of intangible assets. 3.3
- Provision for doubtful debts 3.5
- Provision for taxation 3.8

| | Note |
|---|---|

## 2.5 Amendments / interpretation to existing standard and forthcoming requirements

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- 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 application of interpretation is not likely to have an impact on Company's financial statements.

- 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.

- 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.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

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

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

- IAS 23 Borrowing Costs - the amendment clarifies that 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting polices applied in the preparation of these financial statements are set out below. These polices have been consistently applied to all the years presented.

### 3.1 Prior period adjustment

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.

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 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 adjusted 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 above adjustment has its effects on the corresponding figures presented in these financial statements as follows:

**Effects on the statement of financial position**

| | Accumulated (loss) / profit | Surplus on re-measurement of investments |
|---|---|---|
| | Rupees | |
| **Balance as at June 30, 2017 (as previously reported)** | 391,045,840 | 164,096,909 |
| *Effect of restatement as on June 30, 2017* | | |
| Reclassification of unrealized loss on re-measurement of short term investments to fair value | 155,809,042 | (155,809,042) |
| **Balance as at June 30, 2017 (as restated)** | 546,854,882 | 8,287,867 |
| **Balance as at June 30, 2018 (as previously reported)** | 423,881,447 | 109,581,320 |
| *Effect of restatement as on June 30, 2018* | | |
| Reclassification of unrealized loss on re-measurement of short term investments to fair value | 93,633,708 | (93,633,708) |
| Effect of impairment as per IFRS 9 | (42,429) | - |
| **Balance as at June 30, 2018 (as restated)** | 517,472,726 | 15,947,612 |

| **Effects on comprehensive income for the year ended June 30, 2018** | Rupees |
|---|---|
| *Effects on profit or loss* | |
| Increase in loss on re-measurement of investments carried at fair value through profit or loss - net | 48,103,504 |
| **Decrease in profit before and after taxation** | 48,103,504 |
| *Effects on other comprehensive income* | |
| Derecognition of unrealized loss on re-measurement of investments carried at fair value through profit or loss - net | 48,103,504 |
| **Derecognition of other comprehensive loss** | 48,103,504 |
| **Net effect on total comprehensive income** | - |

3.2 **Property and equipment-owned**

These are stated at cost less accumulated depreciation and impairment losses, if any. Cost include expenditures that are directly attributable to the acquisition of the asset.

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

Depreciation is charged to statement of profit or loss account applying the reducing balance method at the rates specified in note 5. Depreciation is charged when the asset is available for use till the asset is disposed off.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year in which the asset is derecognized.

The assets' residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of property and equipment as at June 30, 2019 did not require any adjustment.

### 3.3 Intangible assets

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

*Trading Rights Entitlement (TRE) Certificate / Membership card of Pakistan Mercantile Exchange Limited*

These are 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.

### 3.4 Investment property

Investment property, which is property held to earn rentals and for capital appreciation, is measured initially at its cost, including transaction costs. Investment properties are subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to profit or loss account using reducing balance method at the rates specified in note 6.

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

### 3.5 Trade debts and other receivables

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

### 3.6 Cash and cash equivalents

Cash and cash equivalent are carried in the statement of financial position at cost / amortized cost. For the purpose of cash flow statement cash and cash equivalents comprise cash in hand, bank balances and short term borrowing.

### 3.7 Trade and other payables

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

These are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

### 3.8 Taxation

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

*Current*

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

*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.

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 balance sheet 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.

**3.9 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.

**3.10 Financial instruments**

a) *Initial Recognition*

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

b) i) *Classification of financial assets*

The Company classifies its financial instruments in the following categories:

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

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

- the financial asset is 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.

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

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

By default, all other financial assets are subsequently measured at FVTPL.

All financial assets are recognized at the time when the Company becomes a party to the contractual position of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset.

ii) *Classification of financial liabilities*

The Company classifies its financial liabilities in the following categories:

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

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

c) *Subsequent measurement*

i) *Financial assets at FVTOCI*

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognised in other comprehensive income/(loss).

ii) *Financial assets and liabilities at amortised cost*

Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost, and in the case of financial assets, less any impairment.

iii) *Financial assets and liabilities at FVTPL*

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

d) *Impairment of financial assets at amortised cost*

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost as more fully explained in note 4.

e) *Derecognition*

i) *Financial assets*

The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to statement of changes in equity.

ii) *Financial liabilities*

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

3.11 **Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are off-set and the net amount is reported in the statement of financial position if the Company has a legal 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.

3.12 **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

3.13 **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.

3.14 **Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognized on the following basis:

- Brokerage commission is recognized as and when such services are provided.
- Profit on saving accounts, profit on exposure deposits and markup on marginal financing is recognized at effective yield on time proportion basis.
- Dividend income is recorded when the right to receive the dividend is established.
- Gain / (loss) arising on sale of investments are included in the statement of profit or loss account in the period in which they arise.
- Unrealized capital gains / (losses) arising from mark to market of investments classified as at financial assets at fair value through profit or loss are included in the statement of profit or loss account for the period in which they arise.

4 **CHANGES IN ACCOUNTING POLICY**

The Company has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from contracts with customers' from July 01, 2018. Consequently, the following changes in accounting policies have taken place effective from July 01, 2018:

a) ***IFRS 9 - Financial Instruments***

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:

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

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

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

**Upon the adoption of IFRS 9, the Company had the following required or elected reclassifications as at July 01, 2018**

| Financial assets | Original classification as per IAS 39 | New classification as per IFRS 9 | Carrying amount as per IAS 39 as on June 30, 2018 | Carrying amount on initial adoption of IFRS 9 on July 1, 2018 |
|---|---|---|---|---|
| Long term investment | AFS | FVTOCI | 21,353,582 | 21,353,582 |
| Long term deposits | LR | AC | 4,010,200 | 4,010,200 |
| Trade debts | LR | AC | 1,298,754 | 1,298,754 |
| Short term investments | HFT | FVTPL | 571,208,466 | 571,208,466 |
| Loan, advances and other receivables | LR | AC | 13,311,186 | 13,311,186 |
| Bank balances | LR | AC | 68,989,266 | 68,989,266 |

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

ii) **Hedge accounting**

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

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

iii) **Impairment of financial assets**

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

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

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

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

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

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

**Measurement of ECLs**

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

**Presentation of impairment**

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

**Impact of the new impairment model**

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

| | Allowance for impairment under IAS 39 as at June 30, 2018 | Remeasurement | ECL under IFRS 9 as at June 30, 2018 |
|---|---|---|---|
| Provision for doubtful debts - Trade debts | 112,784 | 42,429 | 155,213 |

**b) IFRS 15 - Revenue from contracts with customers**

IFRS 15 - Revenue from contracts with customers (IFRS 15) replaced IAS 18 - Revenue, IAS 11 - Construction Contracts, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter Transactions involving Advertising Services. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services.

The Company contracts with customers for the 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.

## 5 PROPERTY AND EQUIPMENT

| | Offices | Building | Furniture and Fixtures | Office Equipments | Computers | Vehicles | Total |
|---|---|---|---|---|---|---|---|
| | | | | Rupees | | | |
| **At June 30, 2017** | | | | | | | |
| Cost | - | 1,886,380 | 485,037 | 550,328 | 1,239,873 | 5,015,298 | 9,176,916 |
| Accumulated depreciation | - | (47,160) | (225,152) | (147,709) | (696,113) | (2,925,168) | (4,041,502) |
| Net book value | - | 1,839,220 | 259,885 | 402,619 | 543,560 | 2,090,130 | 5,135,414 |
| **Year ended June 30, 2018** | | | | | | | |
| Opening net book value | - | 1,839,220 | 259,885 | 402,619 | 543,560 | 2,090,130 | 5,135,414 |
| Additions | 3,450,000 | - | - | 1,078,411 | 42,100 | 2,395,000 | 6,965,511 |
| Depreciation charge | - | (91,961) | (25,989) | (89,322) | (170,120) | (823,537) | (1,200,920) |
| Closing net book value | 3,450,000 | 1,747,259 | 233,896 | 1,391,708 | 415,540 | 3,661,593 | 10,899,996 |
| **At June 30, 2018** | | | | | | | |
| Cost | 3,450,000 | 1,886,380 | 485,037 | 1,628,739 | 1,281,973 | 7,410,298 | 16,142,427 |
| Accumulated depreciation | - | (139,121) | (251,141) | (237,031) | (866,433) | (3,748,705) | (5,242,431) |
| Net book value | 3,450,000 | 1,747,259 | 233,896 | 1,391,708 | 415,540 | 3,661,593 | 10,899,996 |
| **Year ended June 30, 2019** | | | | | | | |
| Opening net book value | 3,450,000 | 1,747,259 | 233,896 | 1,391,708 | 415,540 | 3,661,593 | 10,899,996 |
| Transfer to investment property | - | (1,747,259) | - | - | - | - | (1,747,259) |
| Additions | - | - | - | 153,435 | 41,900 | 1,784,500 | 1,979,835 |
| Depreciation charge | (172,500) | - | (23,390) | (146,623) | (132,514) | (991,301) | (1,466,328) |
| Closing net book value | 3,277,500 | - | 210,506 | 1,398,520 | 324,926 | 4,454,792 | 9,666,244 |
| **At June 30, 2019** | | | | | | | |
| Cost | 3,450,000 | - | 485,037 | 1,782,174 | 1,323,873 | 9,194,798 | 16,235,882 |
| Accumulated depreciation | (172,500) | - | (274,531) | (383,654) | (998,947) | (4,740,006) | (6,569,638) |
| Net book value | 3,277,500 | - | 210,506 | 1,398,520 | 324,926 | 4,454,792 | 9,666,244 |
| Depreciation rate (% per annum) | 5% | 5% | 10% | 10% | 30% | 20% | |

## 6 INVESTMENT PROPERTY

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | Rupees | |
| Transferred WDV from Property and equipment | | 1,747,259 | - |
| Less: Depreciation charged for the year | | (87,363) | - |
| Written down value | | 1,659,896 | - |
| | | 5% | 0% |

6.1 This represents office owned by the company in Pakistan Stock Exchnage.

The Company measure its investment properties using cost model. As at the reporting date, the fair value of investment properties amounting to Rs. 2 million, calculated on the basis of present market values for similar sized of properties in the vicinity and replacement values of similar type of properties adjusted for depreciation factor for the existing assets in use.

## 7 INTANGIBLE ASSETS

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | Rupees | |
| Membership Card - PMEX | | 1,000,000 | 1,000,000 |
| Trading Right Entitlement Certificate - PSX | 7.1 | 2,500,000 | 2,500,000 |
| | | 3,500,000 | 3,500,000 |

pw

7.1 Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (the Act'), the Company has received a Trading Right Entitlement Certificate (TREC) in lieu of its membership card of PSX. The right has been carried at cost less impairment.

## 8 LONG TERM INVESTMENT

| | 2019 | 2018 |
|---|---|---|
| | Rupees | |
| *Fair value through profit and loss* | | |
| **Investment in shares of Pakistan Stock Exchange Limited:** | | |
| Cost of investment | - | 2,003,690 |
| Reclassification of cost of short term investment to long term investment | - | 3,402,280 |
| | - | 5,405,970 |
| *Surplus on revaluation:* | | |
| Opening balance | 15,947,612 | 8,287,867 |
| Reclassification of surplus upon reclassification of short term investment to long term investment | - | 14,071,830 |
| Reclassification of surplus upon reclassification of long term investment to short term investment | (15,947,612) | - |
| Change in fair value recognized during the year | - | (6,412,085) |
| | - | 15,947,612 |
| | - | 21,353,582 |

8.1 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.

## 9 LONG TERM DEPOSITS

| | 2019 | 2018 |
|---|---|---|
| | Rupees | |
| *Deposit placed with:* | | |
| Pakistan Stock Exchange Limited | | - |
| Central Depository Company of Pakistan Limited- Basic deposit | 100,000 | 100,000 |
| Pakistan Mercantile Exchange Limited- Basic deposit | 2,500,000 | 2,500,000 |
| National Clearing Company of Pakistan Limited- Basic deposit | 200,000 | 200,000 |
| National Clearing Company of Pakistan Limited- Ready market | 200,000 | 200,000 |
| National Clearing Company of Pakistan Limited- Future market | 1,000,000 | 1,000,000 |
| Others | 10,200 | 10,200 |
| | 4,010,200 | 4,010,200 |

## 10 TRADE DEBTS

| | 2019 | (Restated) 2018 |
|---|---|---|
| | Rupees | |
| Considered good- secured | 1,347,207 | 1,341,183 |
| Considered doubtful- unsecured | 112,784 | 112,784 |
| | 1,459,991 | 1,453,967 |
| Less: Provision for doubtful debts | (206,102) | (155,213) |
| | 1,253,889 | 1,298,754 |

**10.1 Movement in provision for doubtful debts**

| | 2019 | (Restated) 2018 |
|---|---|---|
| | Rupees | |
| Balance at the beginning of the year (as previously reported) | 155,213 | 112,784 |
| Add: Charged during the year | 50,889 | 42,429 |
| Balance at the end of the year | 206,102 | 155,213 |

## 11 SHORT TERM INVESTMENTS

*Fair value through profit and loss*

**Investment in quoted securities**

| | 2019 | (Restated) 2018 |
|---|---|---|
| Cost of investment | 532,865,326 | 477,574,758 |
| *Surplus on revaluation:* | | |
| Opening balance | 93,633,708 | 155,809,042 |
| Reclassification of surplus upon reclassification of short term investment to long term investment | - | (14,071,830) |
| Reclassification of surplus upon reclassification of long term investment to short term investment | 15,947,612 | - |
| Change in fair value recognized during the year | (152,555,608) | (48,103,504) |
| | (42,974,288) | 93,633,708 |
| | 499,540,590 | 571,208,466 |

**11.1 Details of securities pledged**

| | 2019 | (Restated) 2018 |
|---|---|---|
| *Pledged with Banks* | | |
| Brokerage House | 124,883,840 | 149,001,100 |
| *Pledged with PSX / NCCPL* | | |
| Brokerage House | 141,288,320 | 194,815,810 |

## 12 LOAN, ADVANCE, DEPOSIT AND OTHER RECEIVABLES

| | 2019 | (Restated) 2018 |
|---|---|---|
| | Rupees | |
| Staff loan | 500,300 | 286,900 |
| Exposure deposit with PSX against Deliverable Futures Contracts | 4,000,000 | 11,000,000 |
| Receivable from PSX against profit held on Deliverable Futures Contracts | 3,273,680 | 1,787,135 |
| Receivable from PSX against profit on deposit against Deliverable Futures Contracts | - | 35,664 |
| Other receivables | 200,025 | 201,487 |
| | 7,974,005 | 13,311,186 |

## 13 INCOME TAX REFUNDABLE

| | 2019 | 2018 |
|---|---|---|
| Opening balance | 11,199,187 | 10,972,752 |
| Advance tax paid during the year | 10,153,634 | 8,837,758 |
| Provision for taxation - current | (5,518,077) | (9,730,678) |
| Provision for taxation - prior | (8,223) | 1,119,355 |
| | (5,526,300) | (8,611,323) |
| Closing balance | 15,826,521 | 11,199,187 |

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

## 14 CASH AND BANK BALANCES

| | Note | Rupees | |
|---|---|---|---|
| Cash in hand | | 8,006 | 10,636 |
| Cash at bank | | | |
| -Current accounts | | 57,331,500 | 62,651,992 |
| -Saving accounts | 14.1 | 111,885 | 6,337,274 |
| | | 57,443,385 | 68,989,266 |
| | | 57,451,391 | 68,999,902 |

14.1 The return on these balances is 7.5% to 9% (2018: 5% to 6%) per annum on daily product basis.

14.2 Bank balances include customers' bank balances held in designated bank accounts amounting to Rs. 57.00 million (2018: Rs. 61.28 million).

## 15 AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| 2019 | 2018 | | 2019 | 2018 |
|---|---|---|---|---|
| Number of shares | | | Rupees | |
| | | **Authorized Capital:** | | |
| 1,000,000 | 1,000,000 | Ordinary shares of Rs. 100/- each | 100,000,000 | 100,000,000 |
| | | **Issued, subscribed and paid-up :** | | |
| | | Ordinary shares of Rs. 100/- each | | |
| 974,000 | 974,000 | issued as fully paid in cash | 97,400,000 | 97,400,000 |

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

| Categories of shareholders | 2019 Number of shares held | 2019 % of Shares held | 2018 Number of shares held | 2018 % of Shares held |
|---|---|---|---|---|
| *Individuals* | | | | |
| Ibrahim Ahmed Memon | 287,000 | 29.47% | 287,000 | 29.47% |
| Muhammad Amin Memeon | 587,000 | 60.27% | 587,000 | 60.27% |
| Emaan Amin | 50,000 | 5.13% | 50,000 | 5.13% |
| Muhammad Mustufa Amin | 50,000 | 5.13% | 50,000 | 5.13% |
| | 974,000 | 100.00% | 974,000 | 100.00% |

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

## 16 TRADE AND OTHER PAYABLES

| | 2019 Rupees | 2018 Rupees |
|---|---|---|
| Trade payables | 57,006,592 | 61,278,262 |
| Accrued expenses | 2,933,186 | 2,661,997 |
| Withholding income tax payable | - | 43,488 |
| Future profit withheld payable to clients | 3,274,280 | 1,369,515 |
| UIN net demand- Deliverable futures contracts | 11,572,802 | 6,996,979 |
| Others | 142,480 | 10,694 |
| | 74,929,340 | 72,360,935 |

## 17 BANK OVERDRAFT

| | 2019 | 2018 |
|---|---|---|
| Bank Al Habib | 30,600,507 | - |

## 18 CONTINGENCY AND COMMITMENT

### 18.1 Contingency

The Additional Commissioner Inland Revenue has prejudicial apportioned expenses against dividend income thereby created huge demand of Rs. 1.6 million. The Company has challenged the order by filing an appeal before the Commissioner (Appeals). The legal adviser of the Company is of the opinion that the balance of convenience is in the favor of the Company, owing to which the impugned demand so created is in utter defiance of the binding precedent of the superior courts and, hence, no liability has been provided in these financial statements.

| 18.2 Commitment | Note | 2019 | 2018 |
|---|---|---|---|
| | | Rupees | |
| Guarantee given by a Habib Metropolitan Bank Limited on behalf of the Company in favour of Natinal Clearing Company of Pakistan Limited | | 5,000,000 | 5,000,000 |

## 19 COMMISSION AND DIVIDEND REVENUE

| | 2019 | 2018 |
|---|---|---|
| Commission income | 19,656,201 | 26,883,502 |
| IPO income | - | 68,548 |
| Dividend income | 39,412,407 | 32,044,307 |
| | 59,068,608 | 58,996,357 |

| 20 ADMINISTRATIVE EXPENSES | Note | 2019 | (Restated) 2018 |
|---|---|---|---|
| | | Rupees | |
| Salaries, benefits and allowances | | 23,693,116 | 18,433,801 |
| Directors' remuneration | 20.1 | 4,800,000 | 3,840,000 |
| PSX service charges | | 933,244 | 873,507 |
| C.D.C charges | | 850,901 | 807,757 |
| N.C.C.P.L and other charges | | 690,335 | 377,604 |
| Insurance expenses | | 234,679 | 192,975 |
| Printing and stationery | | 100,642 | 439,537 |
| Fees and subscription | | 1,400,779 | 1,056,242 |
| Communication expenses | | 393,261 | 412,168 |
| Legal and Professional Charges | | 212,915 | - |
| Auditors' remuneration - Audit fee | | 350,000 | 350,000 |
| Vehicle running expenses | | 439,029 | 586,760 |
| Donation | 20.2 | 3,125,000 | 1,775,000 |
| Rent, rates and taxes | | 238,500 | 215,380 |
| Travelling and conveyance expenses | | 1,548,207 | 888,205 |
| Entertainment expenses | | 453,215 | 594,494 |
| Repairs and maintenance | | 190,310 | 589,858 |
| Depreciation | | 1,553,691 | 1,200,929 |
| General expenses | | 119,512 | 1,666,801 |
| Provision for doubtful debts | | 50,889 | 42,429 |
| Other Expense | | 34,510 | - |
| | | 41,412,735 | 34,343,447 |

## 20.1 *Chief Executive, Directors and Executives remuneration*

| | Chief Executive | | Directors | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | Rupees | | | | | |
| Basic salary | 1,600,008 | 1,600,008 | 1,600,008 | 960,000 | 3,200,016 | 2,560,008 |
| House allowance | 639,984 | 639,984 | 639,984 | 384,000 | 1,279,968 | 1,023,984 |
| Utility allowance | 160,008 | 160,008 | 160,008 | 96,000 | 320,016 | 256,008 |
| Bonus | - | 0 | - | - | - | 0 |
| | 2,400,000 | 2,400,000 | 2,400,000 | 1,440,000 | 4,800,000 | 3,840,000 |
| *Number of persons* | 1 | 1 | 1 | 1 | 2 | 2 |

19.1.1 In addition to the above, the Directors and Chief Executive Officer have been provided with Company maintained cars.

20.2 The name of donees to whom donation amount exceeds Rs. 1 million is M/s. Indus Hospital. None of the directors of the Company or their spouses had any interest in the donee organizations.

## 21 FINANCE COSTS

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | Rupees | |
| Markup on running finance | 21.1 | 688,762 | 888,387 |
| Bank charges | | 95,271 | 65,043 |
| | | 784,033 | 953,430 |

21.1 This represents markup on short term working capital finance facility with limit upto Rs. 200 million ( 2018: Rs. 200 million), secured against pledge of promissory note amounting to Rs. 341.48 million, lien over portfolio of shares listed at PSX, lien over T-call account and personal guarantees of directors. The rate of mark-up for running finance ranges @ 3 months KIBOR +1 % per annum (2018: 3 months KIBOR+1%).

21.2 As of the reporting date, the unavailed facility of short term borrowings amounts to Rs. 169.4 million (2018: Rs. 200 million).

## 22 OTHER INCOME

| | 2019 | 2018 |
|---|---|---|
| | Rupees | |
| Profit on cash margin placed with PSX | 522,015 | 475,019 |
| Profit on saving accounts | 1,425,544 | 4,627,263 |
| Rental Income | 1,081,985 | - |
| | 3,029,544 | 5,102,282 |

## 23 TAXATION

| | 2019 | 2018 |
|---|---|---|
| Current | 5,518,077 | 9,730,678 |
| Prior | 8,223 | (1,119,355) |
| | 5,526,300 | 8,611,323 |

### 23.1 Reconciliation of tax expense with accounting profit

| | 2019 | 2018 |
|---|---|---|
| Accounting profit before tax | 19,014,459 | 37,954,501 |
| Tax at the applicable rate of 29% (2018: 30%) | 5,514,193 | 11,399,079 |
| Tax effect of exempt income and income taxed at lower rate | 63,584 | (2,561,180) |
| Tax effect of tax credit on donation | (914,852) | - |
| Tax effect of inadmissible expenses | 858,253 | 892,779 |
| Effect of prior tax | 8,223 | (1,119,355) |
| | 5,529,401 | 8,611,323 |

23.2 The income tax assessments of the Company have been finalized up to and including the tax year 2018. Tax returns are deemed to be assessed under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for 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 a deemed assessment order for audit.

## 24 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of major shareholders, key management personnel, directors of the Company and their close family members. Transaction with related parties are on arm's length basis. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment. During the year, there have been no transactions with related parties of the Company other than those disclosed elsewhere in the financial statements.

## 25 FINANCIAL INSTRUMENTS

### 25.1 Financial risk factors

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

**a) Market risk**

Market risk means that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, equity prices and interest rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company's market risk comprises of three types of risks: foreign currency risk, price risk and interest rate 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 material foreign currency transactions and balances at the reporting date.

**ii) Price risk**

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. 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 amounting to Rs. 498.54 million (2018: 592.56 million) and also the Company holds collaterals in the form of equity securities against their debtor balances at the reporting date.

RA

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

The Company's portfolio of short term investments is broadly diversified so as to mitigate the significant risk of decline in prices of securities in particular sector of the market.

**Sensitivity analysis**

For the purpose of price risk sensitivity analysis it is observed that the benchmark PSX 100 Index has decreased by almost 19% (2018: increased by 10%) during the financial year.

The table below summarizes Company's equity price risk as of June 30, 2019 and 2018 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices 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 | Hypothetical price change | Estimated fair value after hypothetical change in prices | Hypothetical increase / (decrease) in shareholders' equity | Hypothetical increase / (decrease) in profit / (loss) after tax |
|---|---|---|---|---|---|---|
| **June 30, 2019** | ***Rupees*** | **458,548,590** | **10% increase** | **548,394,649** | **43,622,302** | **43,622,302** |
| | | | **10% decrease** | **440,686,531** | **(43,622,302)** | **(43,622,302)** |
| June 30, 2018 | *Rupees* | 592,562,048 | 10% increase | 651,818,253 | 51,849,179 | 51,849,179 |
| | | | 10% decrease | 533,305,843 | (51,849,179) | (51,849,179) |

**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.

As at the reporting date, the interest 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 - Saving accounts | 7.5% - 9% | 5% - 6% | 111,885 | 6,337,274 |
| **Financial liabilities** | | | | |
| Short term borrowings | 3 Months KIBOR + 1% | 3 Months KIBOR + 1% | 30,600,507 | - |

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b) **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 policy is to enter into financial contracts in accordance with the internal risk management policies, investment and operational guidelines approved by the Board of Directors.

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

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | Rupees | |
| Long term deposits | | 4,010,200 | 4,010,200 |
| Trade debts | 25.1.1 | 1,253,889 | 1,298,754 |
| Loan, advances and other receivables | | 7,974,005 | 13,311,186 |
| Bank balances | | 57,443,385 | 68,989,266 |
| | | 70,681,479 | 87,609,406 |

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

| | 2019 Gross | 2019 Impairment | 2018 Gross | 2018 Impairment |
|---|---|---|---|---|
| Not past due | - | - | - | - |
| Past due 1 day - 30 days | 300,828 | - | 374,660 | - |
| Past due 31 days - 180 days | 217,752 | - | 402,757 | - |
| Past due 181 days - 1 year | 317,906 | - | 145,927 | - |
| More than one year | 623,505 | (206,102) | 417,838 | (155,213) |
| | 1,459,991 | (206,102) | 1,341,182 | (155,213) |

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

c) **Liquidity risk**

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

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

| | 2019 | | | |
|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Up to one year | More than one year |
| **Financial liabilities** | | | | |
| Trade and other payables | 74,929,340 | 74,929,340 | 74,929,340 | - |
| Short term borrowing | 30,600,507 | 30,600,507 | 30,600,507 | - |
| | 105,529,847 | 105,529,847 | 105,529,847 | - |

| | 2018 | | | |
|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Up to one year | More than one year |
| **Financial liabilities** | | | | |
| Trade and other payables | 72,317,447 | 72,317,447 | 72,317,447 | - |
| | 72,317,447 | 72,317,447 | 72,317,447 | - |

### 25.2 Fair value estimate

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

Level 1 : Quoted market price (unadjusted) in an active market.

Level 2 : Valuation techniques based on observable inputs.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

The table below analyses equity 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:

| **June 30, 2019** | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | Amount in Rupees | | | |
| *Financial assets measured at fair value* | | | | |
| Equity Securities | 498,540,590 | - | - | 498,540,590 |

| June 30, 2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | Amount in Rupees | | | |
| *Financial assets measured at fair value* | | | | |
| Equity Securities | 592,562,048 | - | - | 592,562,048 |

### 25.3 Financial instruments by categories

The table below provides reconciliation of the line items in the Company's statement of financial position to the categories of financial instruments.

| | 2019 | | | |
|---|---|---|---|---|
| **As at June 30, 2019**<br>**Financial assets as per statement of financial position** | Asset at fair value through other comprehensive income | Asset at fair value through profit or loss | Amortized cost | Total |
| | Rupees | | | |
| Long term deposits | - | 4,010,200 | - | 4,010,200 |
| Trade debts | - | - | 1,343,889 | 1,343,889 |
| Short term investments | - | 498,540,590 | - | 498,540,590 |
| Loan, advances and other receivables | - | - | 7,974,002 | 7,974,002 |
| Bank balances | - | - | 87,443,283 | 87,443,283 |
| | - | [illegible] | [illegible] | [illegible] |

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As at June 30, 2019

| Financial liabilities as per statement of financial position | Financial liabilities at amortized cost |
|---|---|
| | —— Rupees —— |
| Trade and other payables | 74,929,340 |
| Short term borrowing | 30,600,507 |
| | 105,529,847 |

As at June 30, 2018

| Financial assets as per statement of financial position | 2018 | | | |
|---|---|---|---|---|
| | Asset at fair value through other comprehensive income | Asset at fair value through profit or loss | Ammortized cost | Total |
| | Rupees | | | |
| Long term investment | 21,353,582 | - | - | 21,353,582 |
| Long term deposits | - | - | 4,010,200 | 4,010,200 |
| Trade debts | - | - | 1,298,754 | 1,298,754 |
| Short term investments | - | 571,208,466 | - | 571,208,466 |
| Loan, advances and other receivables | - | - | 13,311,186 | 13,311,186 |
| Bank balances | - | - | 68,989,266 | 68,989,266 |
| | 21,353,582 | 571,208,466 | 87,609,406 | 680,171,454 |

As at June 30, 2018

| Financial liabilities as per statement of financial position | Financial liabilities at amortized cost |
|---|---|
| | —— Rupees —— |
| Trade and other payables | 72,317,447 |
| Short term borrowing | - |
| | 72,317,447 |

## 26 CAPITAL ADEQUACY LEVEL AND 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.

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 to be disclosed by Central Depository Company of Pakistan Limited is calculated as follows;

| | 2019 | 2018 |
|---|---|---|
| | Rupees | |
| Total assets | 599,882,736 | 708,281,273 |
| Less: Total liabilities | 105,529,847 | 72,360,935 |
| Less: Revaluation reserves (created upon revaluation of fixed assets) | - | - |
| **Capital adequacy level** | 494,352,889 | 635,920,338 |

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.

## 27 NUMBER OF EMPLOYEES

| | 2019 | 2018 |
|---|---|---|
| | Number | |
| Total number of employees as at June 30 | 28 | 29 |
| Average number of employees during the year | 29 | 31 |

28 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were approved by the Board of Directors of the Company in their meeting held on 07 SEP 2009.

29 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR