

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF NINI SECURITIES (PRIVATE) LIMITED  
ON THE AUDIT OF THE FINANCIAL STATEMENTS**

***Opinion***

We have audited the annexed financial statements of **NINI SECURITIES (PRIVATE) LIMITED** which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the loss, its 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.

***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, 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; and
- d) no zakat is deductible at source under the Zakat and Ushr Ordinance, 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 (Licensing and Operations) Regulations 2016 as at the date on which the statement of financial position was prepared.

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

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

**Place:** Karachi

**Dated:** 13 SEP 2018

**NINI SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2018**

**ASSETS**

**Non-Current Assets**

Property and equipment	4	10,018,878	8,445,547
Intangible assets	5	3,050,579	5,611,754
Long term investment	6	31,658,322	41,163,833
Long term deposit	7	300,000	200,000
		<u>45,027,779</u>	<u>55,421,134</u>

**Current Assets**

Trade debts	8	2,552,724	903,961
Deposits	9	25,000	15,853,716
Loan and other receivable	10	95,500	4,988,269
Tax refunds due from the Government	11	190,617	175,040
Cash and bank balances	12	79,084,421	60,130,140
		<u>81,948,262</u>	<u>82,051,126</u>

**Total Assets**

<u>126,976,041</u>	<u>137,472,260</u>
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**CAPITAL & LIABILITIES**

**Share Capital and Reserves**

**Authorized Capital**

10,000,000 Ordinary shares of Rs. 10 each		<u>100,000,000</u>	<u>100,000,000</u>
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**Issued, subscribed and paid-up capital**

13	100,000,000	100,000,000
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**Capital reserve**

Gain on remeasurement of investment available for sale		15,628,788	25,134,299
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**Revenue reserve**

Unappropriated profit		4,094,628	8,860,949
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**Shareholders' equity**

<u>119,723,416</u>	<u>133,995,248</u>
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**Non-Current Liabilities**

Deferred taxation	14	104,072	35,337
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**Current Liabilities**

Trade and other payables	15	7,148,553	1,441,675
Short term borrowing	16	-	2,000,000
		7,148,553	3,441,675

**Contingencies & Commitments**

**Total Equity and Liabilities**

<u>126,976,041</u>	<u>137,472,260</u>
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The annexed notes from 1 to 26 form an integral part of these financial statements.

  
**Chief Executive**


  
**Director**

**NINI SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<i>Note</i>	<i>2018 Rupees</i>	<i>2017 Rupees</i>
Operating revenue	18	3,922,909	6,363,717
Administrative expenses	19	(6,169,624)	(4,757,997)
<b>Operating (loss) / profit</b>		<b>(2,246,715)</b>	<b>1,605,720</b>
Other income	20	740,079	44,169,956
Other expenses	21	(2,778,052)	(431,957)
<b>Net (loss) / profit before taxation</b>		<b>(4,284,688)</b>	<b>45,343,719</b>
Taxation	22	(481,633)	(486,761)
<b>Net (loss) / profit after taxation</b>		<b>(4,766,321)</b>	<b>44,856,958</b>

The annexed notes from 1 to 26 form an integral part of these financial statements.

  
 Chief Executive

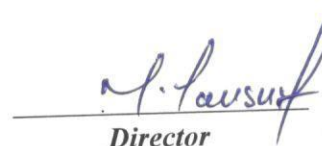
  
 Director

**NINI SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<i>2018</i> <i>Rupees</i>	<i>2017</i> <i>Rupees</i>
Net (loss) / profit after taxation	(4,766,321)	44,856,958
Other comprehensive income:		
Items to be reclassified to Profit and loss account in the subsequent periods		
Unrealized (loss) / gain on remeasurement of investments available for sale	(9,505,511)	25,134,299
Total comprehensive (loss) / income for the year	<u>(14,271,832)</u>	<u>69,991,257</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

  
 Chief Executive

  
 Director



Share capital	Reserves		Total reserves	Total
	Revenue reserve	Capital reserve		
	Unappropriated profit / (losses)	Gain / (loss) on remeasurement of available for sale investment		
	-----	(Rupees) -----		

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

The annexed notes from 1 to 26 form an integral part of these financial statements.

*M. Lawlor*  
Director

**NINI SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	2018 Rupees	2017 Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net (loss) / profit before taxation	(4,284,688)	45,343,719
Adjustment for:		
Depreciation	624,169	552,891
Amortization	61,175	67,973
Impairment	2,500,000	-
Capital gain on disposal of long-term investments	-	(43,279,736)
	3,185,344	(42,658,872)
Cash (used in) / generated from operating activities before working capital changes	(1,099,344)	2,684,847
Working capital changes		
(Increase) / decrease in current assets		
Trade debts	(1,648,763)	468,658
Loan and other receivable	4,892,769	(500,000)
Increase in current liabilities		
Trade and other payables	5,706,878	761,706
	8,850,884	730,364
Cash generated from operations	7,751,540	3,415,211
Taxes paid - net	(428,475)	(597,122)
Deposits received / (paid)	15,828,716	(15,828,716)
Net cash generated from / (used in) operating activities	23,151,781	(13,010,627)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale proceeds from disposal of long term investments	-	62,835,763
Capital expenditure incurred	(2,197,500)	(198,941)
Net cash (used in) / generated from investing activities	(2,197,500)	62,636,822
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term borrowing	(2,000,000)	-
Net cash used in financing activities	(2,000,000)	-
Net increase in cash and cash equivalents (A+B+C)	18,954,281	49,626,195
Cash and cash equivalents at the beginning of the year	60,130,140	10,503,945
Cash and cash equivalents at the end of the year	79,084,421	60,130,140

The annexed notes from 1 to 26 form an integral part of these financial statements.

  
**Chief Executive**

  
**Director**



**NINI SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIALS STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**1 THE COMPANY AND GENERAL INFORMATION**

**1.1 Legal status and operations**

Nini Securities (Private) Limited (the Company) was incorporated under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) as on June 01, 2006. The Company is a corporate member of the Pakistan Stock Exchange Limited - PSX. The principal objects of the Company include share brokerage, money market transactions, consultancy services and underwriting etc. The registered office of the Company is situated at 707, 7th Floor, PSX Building, Stock Exchange Road, Karachi.

**1.2 Summary of significant events and transactions in the current reporting period**

- i. On September 25, 2017, the Company has changed its status from single member company to private limited company.
- ii. Further, due to the poor market conditions of Pakistan Stock Exchange Limited, confidence of investors was low. Therefore, revenue of Company is reduced and resultantly net loss and total comprehensive loss of Rs. (4.766) million and Rs. (14.272) million respectively in the current financial year as compared to net profit of Rs. 44.857 million and Rs. 69.991 million respectively in previous year.
- iii. Due to the applicability of Companies Act, 2017 certain disclosures of the financial have been presented in accordance with the fifth schedule notified by the Securities and Exchange Commission of Pakistan vide S.R.O. 1169 dated November 7, 2017.
- iv. The financial statements include disclosures requirements of the Securities Brokers (Licensing and Operations) Regulations, 2016 as notified by the Securities and Exchange Commission of Pakistan vide S.R.O. 569 (I) / 2016 dated June 24, 2016.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

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

**2.2 Basis of measurement**

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

### 2.3 Functional and presentation currency

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

### 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

- Review of useful life and residual value of property, plant and equipment (note 3.1 and 4);
- Intangibles (note 3.2 and 5);
- Revenue recognition (note 3.10 and 18); and
- Provision for taxation including deferred tax (note 3.11).

### 2.5 Amendments to standards that are effective for the year ended June 30, 2018

The following amendments to accounting standards are effective for the year ended June 30, 2018. These amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

	<i>Effective for period beginning on or after</i>
Amendments to IAS 7 'Statement of Cash Flows' - Disclosure initiative - Amendments	January 1, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses (Amendments)	January 1, 2017

Certain annual improvements have also been made to a number of standards, which have not been enumerated here for brevity.



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

The following amendments to accounting standards and interpretations with respect to the approved accounting standards as applicable in Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

	<i>Effective from accounting period beginning on or after</i>
IFRS 2 – Share Based Payments - Classification and Measurement of Share Based Payment Transactions (Amendments).	January 1, 2018
IFRS 9 – 'Financial Instruments'	January 1, 2018
IFRS 10 – Amendments to 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Not yet finalized
IFRS 15 – 'Revenue From Contracts With Customers'	January 1, 2018
IFRS 16 – 'Leases'	January 1, 2019
IAS 19 – Amendments – 'Employee Benefits': Plan amendments, curtailments or settlements	January 1, 2019
IAS 28 – Amendments to 'Investments in Associates and Joint Ventures': Long-term interests in associates and joint ventures	January 1, 2019
IAS 40 – Amendments to 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018. Earlier application is permitted
IFRS 4 – Insurance Contracts: Applying IFRS 9 Financial Instruments with this IFRS for amendments.	01 January 2018
IFRIC 22 – 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018 Earlier application is permitted
IFRIC 23 – 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 1, 2019

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.



The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual period beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 - First Time Adoption of International Financial Reporting Standards
- IFRS 14 - Regulatory Deferral Accounts
- IFRS 17 - Insurance Contracts

### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Property and equipment**

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

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

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

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

The carrying values of tangible fixed assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

#### **3.2 Intangible assets - TREC and Software**

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

##### ***Trading right entitlement certificate (TREC)***

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

### ***Computer software***

These are stated at cost less accumulated amortization and impairment, if any. Amortization is charged over the useful life of the asset on a systematic basis to income applying the straight line method at the rate specified in note 5.2 to the financial statements.

Amortization is charged from the month when the asset is available for use while no amortization is charged in the month of disposal.

Intangible assets are assessed for impairment whenever there is an indication that the same are impaired. Costs associated with maintaining assets are recognized as an expense in the period in which these are incurred. Gains and losses on disposal, if any, of assets are included in income currently.

### **3.3 Investments**

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard 39; 'Financial Instruments: Recognition and Measurement', at the time of purchase and re-evaluates this classification on a regular basis. Investments are categorized as follows:

#### ***Available for sales - PSX shares***

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the date of statement of financial position. Available for sale financial assets are classified as long term investments in the statement of financial position unless intended to dispose off with in twelve months in which case these are classified as short term investment.

At reporting date the Company has its available for investment only in shares of PSX. These were initially measured at carrying value of surrendered card which is apportioned between TREC and Shares of PSX. Currently, these are valued at fair value which is measured using quoted prices in an active market.

Unrealized gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in other comprehensive income in the period in which they arise.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in "other comprehensive income" are included in the profit and loss account as gains and losses on disposal of long term investments. Dividends on available for sale equity instruments are recognized in the profit and loss account when the Company's right to receive payments is established.

#### ***At fair value through profit and loss***

Investments are classified as held-for-trading if they are acquired for the purpose of generating profit from short term fluctuations in market price. These are initially recognized at fair value. The fair value of such investments representing listed equity is determined on the basis of prevailing market prices and recognized in the financial statement. Gains or losses on investments held-for-trading are recognized in profit and loss account.

### **3.4 Trade debts**

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



### **3.5 *Fiduciary assets***

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

### **3.6 *Advances and deposits***

Advances and deposits are carried at cost which is the fair value of the consideration to be received.

### **3.7 *Other receivables***

These are stated as nominal values net of provision for doubtful debts. Full provision is made against the receivables considered doubtful. Other receivables are written off when they are not recoverable.

### **3.8 *Cash and cash equivalents***

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

### **3.9 *Trade and other payables***

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

### **3.10 *Revenue recognition***

- (i) Brokerage commission, commission income on IPO and advisory fees are recorded as and when services are provided and it is probable that the economic benefits associated with the transaction will flow to the Company.
- (ii) Dividend income is recognized when the right to receive the same is established.
- (iii) Gain on sale of fixed assets is recorded when title is transferred in favor of the transferee.
- (iv) Unrealized gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in other comprehensive income in the period in which they arise.
- (v) Markup income is recorded on accrual basis.
- (vi) Gains / (losses) arising on disposal of investments are included in income currently and are recognized on the date when the transaction takes place.
- (vii) Other income is recognized on occurrence of transactions.

### **3.11 *Taxation***

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

#### ***Current***

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



### ***Deferred***

Deferred income tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax base of assets and liabilities and their carrying amounts for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realization or the settlement of the carrying amounts of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.

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

### ***3.12 Provisions***

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

### ***3.13 Financial instruments***

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument and are measured initially at fair value. Fair value is the amount for which assets could be exchanged, or liabilities settled, between knowledgeable willing parties in an arm's length transaction on the measurement date. When available, the company measures the fair value of an investment using quoted price in an active market for the instrument. A market is regarded as active if quoted price are readily and regularly available and represent actual and regularly occurring market transaction on an arm's length basis. Financial assets are derecognized when the contractual right to cash flow from the financial assets expired or is transferred. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired. Financial instrument carried on the reporting date include investments, trade debts, other receivable, loans and advances, cash and bank balances, deposits borrowings, trade and other payables and accrued and other liabilities. The particular recognition method adopted are disclosed in the individual policy statement associated with each item.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position only when the company has legally enforceable right to offset the recognized amount and intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### ***3.14 Impairment***

#### ***Financial assets***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Any impairment loss arising on financial assets is recognized in profit and loss account.

### *Non-Financial assets*

The carrying amounts of non-financial assets 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 recognized, as an expense in the profit and 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 sale and value in use. Value in use is ascertained through discounting the estimated future cash flows using a discount rate that reflects current market assessments 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 amortization, if no impairment loss had been recognized.

#### 4 PROPERTY AND EQUIPMENT

Particulars	Owned Asset				Total
	Office premises	Office equipments	Computer & accessories	Vehicle	
	----- Rupees -----				
<b>Year ended June 30, 2018</b>					
Opening net book value	8,145,062	26,880	273,605	-	8,445,547
Additions during the year	-	-	62,300	2,135,000	2,197,500
Depreciation charge for the year	(407,253)	(2,688)	(107,478)	(106,750)	(624,169)
<b>Closing net book value as on June 30, 2018</b>	<b>7,737,809</b>	<b>24,192</b>	<b>228,627</b>	<b>2,028,250</b>	<b>10,018,878</b>
<b>As at June 30, 2018</b>					
Cost	10,000,000	32,000	546,541	2,135,000	12,713,541
Accumulated depreciation	(2,262,191)	(7,808)	(317,914)	(106,750)	(2,694,663)
<b>Closing net book value as on June 30, 2018</b>	<b>7,737,809</b>	<b>24,192</b>	<b>228,627</b>	<b>2,028,250</b>	<b>10,018,878</b>
<b>Year ended June 30, 2017</b>					
Opening net book value	8,573,750	29,867	195,880	-	8,799,497
Additions during the year	-	-	198,941	-	198,941
Disposals during the year	-	-	-	-	-
Depreciation charge for the year	(428,688)	(2,987)	(121,216)	-	(552,891)
<b>Closing net book value as on June 30, 2017</b>	<b>8,145,062</b>	<b>26,880</b>	<b>273,605</b>	<b>-</b>	<b>8,445,547</b>
<b>As at June 30, 2017</b>					
Cost	10,000,000	32,000	484,041	-	10,516,041
Accumulated depreciation	(1,854,938)	(5,120)	(210,436)	-	(2,070,494)
<b>Closing net book value as on June 30, 2017</b>	<b>8,145,062</b>	<b>26,880</b>	<b>273,605</b>	<b>-</b>	<b>8,445,547</b>
<b>Rate of depreciation (%)</b>	<b>5%</b>	<b>30%</b>	<b>10%</b>	<b>20%</b>	



	Note	2018 Rupees	2017 Rupees
<b>5 INTANGIBLE ASSETS</b>			
Trading right entitlement certificate (TREC)	5.1	2,500,000	5,000,000
Computer software	5.2	550,579	611,754
		<u>3,050,579</u>	<u>5,611,754</u>

#### 5.1 Trading right entitlement certificate (TREC)

Opening book value		5,000,000	5,000,000
Provision for impairment		(2,500,000)	-
Closing book value	5.1.1	<u>2,500,000</u>	<u>5,000,000</u>

5.1.1 The management of the Company has valued TREC at Rs. 2.5 million as on June 30, 2018, based on the offer for issuance of TREC issued by PSX via notice PSX / N-1245 dated February 26, 2018 indicating fee for new TREC Certificate amounting to Rs. 2.5 million.

	Note	2018 Rupees	2017 Rupees
<b>5.2 Computer software</b>			
Opening net book value		611,754	679,727
Amortization charge for the year		(61,175)	(67,973)
Closing net book value		<u>550,579</u>	<u>611,754</u>
<b>As at June 30,</b>			
Cost		734,840	734,840
Accumulated amortization		(184,261)	(123,086)
		<u>550,579</u>	<u>611,754</u>
<b>Rate of amortization</b>		<u>10%</u>	<u>10%</u>

## 6 LONG TERM INVESTMENT

### - Available for sale - fair value

#### Shares of listed company

##### Pakistan Stock Exchange Limited

Carrying value		41,163,833	16,029,534
(Loss) / gain on remeasurement of investments available for sale		(9,505,511)	25,134,299
	6.1 & 6.2	<u>31,658,322</u>	<u>41,163,833</u>

2018      2017  
Number of Shares

6.1	1,602,953	1,602,953	Pakistan Stock Exchange Limited	<u>31,658,322</u>	<u>41,163,833</u>
-----	-----------	-----------	---------------------------------	-------------------	-------------------

6.2 Pursuant to the promulgation of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (The Act), the ownership rights in a Stock Exchange was segregated from the right to trade on the exchange. Accordingly, the Company received equity shares of PSX and a Trading Right Entitlement certificate (TREC) in lieu of its Membership Card of PSX.

As per the arrangements, the authorized and paid-up capital of PSX was Rs. 10,000,000,000 and Rs.8,014,766,000 respectively with a par value of Rs. 10 each. The paid-up capital of PSX was equally allotted among 200 members of PSX by issuance of 4,007,383 shares at the face value of Rs. 10 each to each member including the Company in the following manner:

1. 40% of the total shares allotted (i.e. 1,602,953 shares) were transferred in the House Account - CDC of each initial shareholder. These shares were pledged with PSX.
2. 60% of the total shares (i.e. 2,404,430 shares) have been deposited in a sub-account in Company's name under PSX's participant ID with CDC which were remained blocked for divestment to strategic investor(s), general public and financial institutions.

Initially, in the absence of an active market of the shares of KSEL and TREC, these shares were valued by allocating the carrying value of the Membership Card of Rs. 90 million between the shares (financial asset) and TREC (an intangible asset) on the basis of the value of ordinary shares of KSEL and the TREC assigned by the KSEL for minimum base capital requirement purposes applicable to the Stock Exchange brokers on May 03, 2013. Subsequently, at June 30, 2013, the only impairment was recorded to bring down the value of shares and TREC equal to their values announced by the KSEL for minimum base capital requirement.

During the financial year 2017, the above mentioned 60% (2,404,430 shares) blocked shares were disposed off by the PSX out of which 40% shares were disposed off to Chinese Consortium while 20% shares were disposed off through book building process both at Rs. 28 per share.

After public subscription, shares of PSX were listed on June 29, 2017 at an initial price of Rs. 28 per share. Market value as on June 30, 2018 is 19.75 (2017 : 25.68) per share.

As on the balance sheet date, Company has 1,081,194 (2017: 1,602,953) shares of PSX which have been marked as freezed by the CDC. While as per the requirements of Sub-Regulation 1, 2 and 3 of Regulation 5 of Public Offering Regulations, 2017 promulgated by the SECP, PSX was required to release 75 % of freezed shares of 1,602,953 after one year of public subscription i.e. June 29, 2018. However, at current reporting date only 521,759 shares out of 1,602,953 were released by PSX.

The management of the Company has intention to hold the unfreezed shares for more than one year.

**6.3 Break up of shares received and transacted is as follows :**

	<i>Number of share</i>
Shares Transferred to Chinese Consortium	1,602,953
Shares Sold to General Public	801,477
Shares in Hand	1,602,953
<b>Total Shares Originally Allotted to the Company</b>	<b>4,007,383</b>

**7 LONG TERM DEPOSIT**

*Against*

	<i>2018 Rupees</i>	<i>2017 Rupees</i>
National Clearing Company of Pakistan Limited	200,000	200,000
Central Depository Company	100,000	-
	<b>300,000</b>	<b>200,000</b>

## 8 TRADE DEBTS

	Note	2018 Rupees	2017 Rupees
Considered good	8.1 & 8.2	<u>2,552,724</u>	<u>903,961</u>

### 8.1 Trade receivables from related parties

Name of related party	Relationship	Gross amount due	Past due amount	Provision for doubtful receivables	Reversal of provision of doubtful receivables	Amount due written off	Net amount due	Maximum amount outstanding at any time during the year
----- Rupees -----								
Mr. Muhammad Yaqoob	CEO	-	-	-	-	-	-	2,878
Mr. Yousuf	Director	-	-	-	-	-	-	77,466
Mr. Muhammad Yaseen Yaqoob	Company Secretary	2,168,263	2,168,263	-	-	-	2,168,263	3,317,792
Ms. Afsha Faisal	Family Member	-	-	-	-	-	-	2,597
Ms. Farzana	Family Member	-	-	-	-	-	-	500
		<u>2,168,263</u>	<u>2,168,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,168,263</u>	<u>3,401,233</u>

### 8.2 Age analysis of trade receivables from related parties

Name of related party	Amount not past due	Amount past due					Total gross amount due
		Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-365 days	Past due 365 days	
		----- Rupees -----					
Mr. Muhammad Yaseen Yaqoob (Company Secretary)	-	1,011,551	338,865	817,848	-	-	2,168,263

8.3 As on the balance sheet date, securities held by CDC on the name of sub-account holders (clients) of the Company amounting to Rs. 39.82 million comprising of 1,116,640 shares. However, at reporting date these are not pledged with the financial institution.

## 9 DEPOSITS

	Note	2018 Rupees	2017 Rupees
Against			
Margin		25,000	25,000
Base Minimum Capital	9.1	-	15,828,716
		<u>25,000</u>	<u>15,853,716</u>

9.1 This represents Base Minimum Capital deposit with Pakistan Stock Exchange Limited (PSX) which was received back during the year.



	<i>Note</i>	<i>2018 Rupees</i>	<i>2017 Rupees</i>
<b>10 LOAN AND OTHER RECEIVABLE</b>			
<i>Considered good</i>			
<i>Loan</i>			
- to employee		95,500	500,000
<i>Other receivable</i>			
- from PSX	10.1	-	4,488,269
		<u>95,500</u>	<u>4,988,269</u>

10.1 This represented 10% of sale proceeds withheld by Pakistan Stock Exchange Limited (PSX) on disposal of shares of PSX to Chinese Consortium in previous year which has been received during the current financial year.

	<i>2018 Rupees</i>	<i>2017 Rupees</i>
<b>11 TAX REFUNDS DUE FROM THE GOVERNMENT</b>		
<i>Against</i>		
Sales tax	-	11,611
Income tax	190,617	163,429
	<u>190,617</u>	<u>175,040</u>

## 12 CASH AND BANK BALANCES

<i>Cash in hand</i>	115,831	-
<i>Cash at bank</i>		
- <i>Own</i>		
in current account	71,974,695	58,750,244
- <i>Client</i>		
in current account	6,993,895	1,379,896
	<u>78,968,590</u>	<u>60,130,140</u>
	<u>79,084,421</u>	<u>60,130,140</u>

## 13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

<i>2018</i>	<i>2017</i>		
<i>Number of Shares</i>			
<u>10,000,000</u>	<u>10,000,000</u>	Ordinary shares of Rs. 100 each fully paid in cash	<u>100,000,000</u> <u>100,000,000</u>

### 13.1 Pattern Of Shareholding:

<i>S. No.</i>	<i>Names</i>	<i>No. of shares</i>	<i>Percentage</i>
1	Yousuf	100	0.001%
2	Muhammad Yakoob	9,999,900	99.999%
		<u>10,000,000</u>	<u>100%</u>

13.2 During the current financial year, movement above 5% shareholding is not incurred.

- 13.3 The share holders are entitled to receive all distribution to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the company. All the shares carry "one vote" per share without any restriction.

	<i>Note</i>	<i>2018 Rupees</i>	<i>2017 Rupees</i>
<b>14 DEFERRED TAXATION</b>			
<i>This comprises of the following: -</i>			
<i>Taxable temporary differences</i>			
Accelerated amortization for tax purposes		9,055	4,510
Accelerated depreciation for tax purposes		179,125	30,827
		<u>188,180</u>	<u>35,337</u>
<i>Deductible temporary differences</i>			
Carried forward tax losses		(84,108)	-
		<u>104,072</u>	<u>35,337</u>

#### 15 TRADE AND OTHER PAYABLES

Trade creditors	15.1	6,963,699	1,254,501
Accrued liabilities		153,556	137,670
Sales tax payable		25,884	46,949
Other payables		5,414	2,555
		<u>7,148,553</u>	<u>1,441,675</u>

15.1 This includes Rs. nil (2017: Rs. 22,725) payable to Ms. Afshan (Close family member of Director).

	<i>Note</i>	<i>2018 Rupees</i>	<i>2017 Rupees</i>
<b>16 SHORT TERM BORROWING</b>			
<i>- Unsecured</i>			
From Director (related party)	16.1	<u>-</u>	<u>2,000,000</u>

16.1 The loan is fully repaid during the current financial year. This loan was taken for working capital requirement.

#### 17 CONTINGENCIES & COMMITMENTS

##### 17.1 Contingencies

There are no contingencies as on the balance sheet date.

##### 17.2 Commitments

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

	<i>2018 Rupees</i>	<i>2017 Rupees</i>
For purchase of shares	<u>2,638,809</u>	<u>11,417,810</u>
For sale of shares	<u>5,014,125</u>	<u>2,592,707</u>

<b>18 OPERATING REVENUE</b>	<b>Note</b>	<b>2018 Rupees</b>	<b>2017 Rupees</b>
Commission income - gross		4,453,611	7,309,508
Less: Sindh Sales Tax on services		(519,713)	(897,637)
		<u>3,933,898</u>	<u>6,411,871</u>
Less: Commission paid to agents		(10,989)	(48,154)
	18.1	<u>3,922,909</u>	<u>6,363,717</u>

**18.1** This includes brokerage income amounting to Rs. 2,576 (2017: Rs. 5,625) earned from an institutional client. Remaining brokerage income earned from retail customers.

<b>19 ADMINISTRATIVE EXPENSES</b>	<b>Note</b>	<b>2018 Rupees</b>	<b>2017 Rupees</b>
Salaries and other benefits		3,024,414	2,267,574
PSX charges		73,042	115,242
CDC charges		124,849	158,559
NCCPL charges		47,560	47,904
Printing and Stationary		101,370	82,978
Communication		112,534	80,590
Utilities		129,925	132,046
Office maintenance		38,400	40,020
Software maintenance		322,763	262,218
Conveyance expense		138,753	154,470
Depreciation	4	624,169	552,891
Amortization	5.2	61,175	67,973
Entertainment		99,184	159,500
Bank charges		682	3,400
Donation	19.1	980,000	-
PSX shares' book building expense		-	442,245
Fees and subscription		290,804	190,387
		<u>6,169,624</u>	<u>4,757,997</u>

**19.1** None of the directors or their spouses has any interest in donees and donation above Rs. 500,000 has not been given to any single entity.

<b>20 OTHER INCOME</b>	<b>Note</b>	<b>2018 Rupees</b>	<b>2017 Rupees</b>
<b>- from financial assets</b>			
Capital Gain on disposal of PSX shares	6.2	-	43,279,736
Dividend income		400,738	440,812
Markup income	20.1	229,563	-
		<u>630,301</u>	<u>43,720,548</u>
<b>- from other than financial assets</b>			
Commission income on IPO		9,778	218,098
Miscellaneous income		100,000	231,310
		<u>109,778</u>	<u>449,408</u>
		<u>740,079</u>	<u>44,169,956</u>

**20.1** This represents mark up on 10% consideration held by Pakistan Stock Exchange Limited (PSX) on disposal of 40% shares of PSX to Chinese Consortium during the previous financial year.



	<i>Note</i>	<i>2018 Rupees</i>	<i>2017 Rupees</i>
<b>21 OTHER EXPENSES</b>			
Auditor's remuneration	21.1	192,500	177,500
Impairment of Trading Rights Entitlement	5.1	2,500,000	-
Miscellaneous expenses		85,552	254,457
		<u>2,778,052</u>	<u>431,957</u>

**21.1 Auditor's remuneration**

- Statutory audit		140,000	125,000
- Other assurance services		52,500	52,500
		<u>192,500</u>	<u>177,500</u>

**22 TAXATION**

Current	22.1	417,210	451,424
Prior		(4,312)	-
Deffered	14	68,735	35,337
		<u>481,633</u>	<u>486,761</u>

22.1 The relationship between tax expense and accounting profit has not been presented in these financial statements as relationship between these could not be developed due to tax being arising under Final Tax Regime (FTR) of the Income Tax Ordinance, 2001 owing to income taxable under FTR.

22.2 Returns for the tax year up to 2017 have been filed, which are deemed to be assessment order under provisions of the Income Tax Ordinance, 2001, however the CIT has power to re-assess any of the five preceding tax years.

	<i>Note</i>	<i>2018 Rupees</i>	<i>2017 Rupees</i>
<b>23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES</b>			

**23.1 Financial Instrument by Category**

**Financial Assets**

**- Available for sale**

Long term investment	6	31,658,322	41,163,833
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**- Loans and receivables at amortized cost**

Long term deposit	7	300,000	200,000
Trade debts	8	2,552,724	903,961
Deposits	9	25,000	15,853,716
Loan and other receivable	10	95,500	4,988,269
Cash and bank balances	12	79,084,421	60,130,140
		<u>113,715,967</u>	<u>123,239,919</u>

**Financial Liabilities**

**- Financial liabilities at amortized cost**

Trade and other payables	15	7,122,669	1,394,726
Short term borrowing	16	-	2,000,000
		<u>7,122,669</u>	<u>3,394,726</u>

### 23.2 Financial risk management

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) and operational risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risks without any material change from previous period in the manner described in the notes below.

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

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

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

### 23.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfill their obligations. There is a possibility of default by participants and of failure of the financial markets, the depositories, the settlements or clearing system etc.

#### *Exposure to credit risk*

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

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

	2018 Rupees	2017 Rupees
Long term deposit	300,000	200,000
Trade debts	2,552,724	903,961
Deposits	25,000	15,853,716
Loan and other receivable	95,500	4,988,269
Bank balances	78,968,590	60,130,140
	<u>81,941,814</u>	<u>82,076,086</u>

All the trade debts at the balance sheet date represent individual / retail parties.

**23.3.1 Ageing of debtors as required by the Securities Brokers  
(Licensing and Operations Regulations, 2016 :**

	2018 Rupees	2017 Rupees
<i>The aging of trade debtors at the balance sheet date was:-</i>		
Past due 1-5 days	80,578	238,998
Past due more than 5 days	2,472,146	664,963
	<u>2,552,724</u>	<u>903,961</u>
Securities available for overdue receivables of more than 5 days after applying VAR based haircut	<u>242,303</u>	<u>294,878</u>

Based on the consideration of financial position and subsequent recovery / adjustment through trades, the Company believes that trade debts past due for more than 5 days do not require any provision in these financial statements.

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

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

Name of banks	Rating Agency	Credit rating	
		Short term	Long term
JS Bank Limited	PACRA	A1+	AA-
Bank Al - Habib Limited	PACRA	A1+	AA+

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

**23.4 Liquidity risk**

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

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

	2018			
	Carrying Amount	Contractual cash out flows	Up to one year	More than one year
	----- Rupees -----			
<b>Financial liabilities</b>				
Trade and other payables	7,122,669	(7,122,669)	(7,122,669)	-



	2017			
	Carrying Amount	Contractual cash out flows	Up to one year	More than one year
	----- Rupees -----			
<b>Financial liabilities</b>				
Trade and other payables	1,394,726	(1,394,726)	(1,394,726)	-
Short term borrowing	2,000,000	(2,000,000)	(2,000,000)	-
	<u>3,394,726</u>	<u>(3,394,726)</u>	<u>(3,394,726)</u>	<u>-</u>

### 23.5 Market risk

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

#### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

Currently, the Company is not exposed to any currency risk because the company is not dealing in any foreign currency transactions.

#### Interest / mark up rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates.

At the balance sheet date, the Company is not exposed to any interest rate risk.

#### Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is exposed to price risk with respect to equity investment. Investments are monitored through continuous trend prevailing in the market for which an investment committee has been setup to take appropriate decision.

A 10% increase / (decrease) in share prices at year end would have increased / (decreased) the Company's unrealized gain / (loss) on remeasurement of available for sale investments through OCI as follows:

	Other Comprehensive Income	
	Increase	(Decrease)
<b>As at June 30, 2018</b>		
Available for sale investments through OCI	<u>3,165,832</u>	<u>(3,165,832)</u>
<b>As at June 30, 2017</b>		
Available for sale investments through OCI	<u>4,116,383</u>	<u>(4,116,383)</u>

### **23.6 Risk management policies**

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

### **23.7 Capital risk management**

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business activities and to sustain future development of the business and maximize shareholders value. The Company closely monitors the return on capital along with the level of distributions to ordinary shareholders. No changes were made in the objectives, policies or processes during the year ended June 30, 2018.

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

The Company has not availed any borrowing facility from financial institutions as on the balance sheet date, therefore, gearing ratio is nil.

### **23.8 Operational Risk**

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

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

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

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

### **23.9 Fair Value of Financial Instruments**

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at arm's length transaction.

### *Fair value hierarchy*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows: -

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

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>----- Rupees -----</i>		
<b>Financial Assets</b>			
<b>June 30, 2018</b>			
Long term investment - available for sale	<b>31,658,322</b>	-	-
<b>June 30, 2017</b>			
Long term investment - available for sale	<b>41,163,833</b>	-	-

## **24 RELATED PARTY TRANSACTION**

Related parties comprise of Director, Key Management Personnel and close family members of the Director. Year end balances are disclosed in respective notes to these financial statements. Detail of transactions during the year with related parties are as follows:

<i>Transaction with the related party</i>	<i>Relationship</i>	<i>Number</i>	<i>2018 Rupees</i>	<i>2017 Rupees</i>
<b>Commission earned from brokerage transactions</b>				
Mr. Muhammad Yaseen Yaqoob	Key Management personnel		<b>76,379</b>	270,374
Mr. Yousuf	Close family member		<b>5,931</b>	62,093
Ms. Afsha Faisal	Close family member		<b>4,935</b>	5,193
Ms. Farzana	Close family member		<b>33,690</b>	10,913
Mr. Muhammad Yakoob	Director		<b>38,174</b>	15,551
<b>Remuneration paid to</b>				
Mr. Muhammad Yaseen Yaqoob	Key Management personnel	1	<b>840,000</b>	560,000



## 25 GENERAL

25.1 Total number of employees as at June 30, 2018 and average number of employees during the year were 5 (June 30, 2017: 4) and 5 (June 30, 2017: 4) respectively.

25.2 Figures have been rounded off to the nearest Rupee.

## 26 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for issue on \_\_\_\_\_.

13 SEP 2018

  
\_\_\_\_\_  
Chief Executive

  
\_\_\_\_\_  
Director