AUDITED FINANCIAL STATEMENTS
OF
MOHAMMAD MUNIR MUHAMMAD AHMED KHANANI 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

Plot No. 180, Block-A, S.M.C.H.S.
Karachi-74400, PAKISTAN.
Tel. No. : (021) 34549345-9
E-Mail : info@rsrir.com
Website: www.rsrir.com
Other Offices at
Lahore - Rawalpindi / Islamabad

INDEPENDENT AUDITORS' REPORT

To the members of Mohammad Munir Mohammad Ahmed Khanani Securities (Private) Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **M/s. Mohammad Munir Mohammad Ahmed Khanani 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.

Cont'd... P/2

Plot No. 180, Block-A, S.M.C.H.S.
Karachi-74400, PAKISTAN.
Tel. No. : (021) 34549345-9
E-Mail : info@rsrir.com
Website: www.rsrir.com
Other Offices at
Lahore - Rawalpindi / Islamabad

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.

Cont'd... P/3

Russell Bedford

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.
Karachi-74400, PAKISTAN.
Tel. No. : (021) 34549345-9
E-Mail : info@rsrir.com
Website: www.rsrir.com
Other Offices at
Lahore - Rawalpindi / Islamabad

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

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

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

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Karachi
Date: 2 5 SEP 2019

MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT) LTD
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019	2018
		Rupees	
ASSETS			
Non-current assets			
Property and equipment	5	30,415,072	35,682,778
Intangible assets	6	2,513,842	2,519,774
Long term investment	7	-	23,353,580
Long term deposits	8	2,190,000	2,290,000
Investment property	9	22,673,839	23,867,199
		57,792,753	87,713,331
Current assets			
Short term investment - Fair value through profit or loss	10	867,313,700	1,321,276,936
Trade debts	11	439,823,804	659,625,692
Advances, deposits and other receivable	12	60,199,463	59,995,864
Income tax refundable		73,649,155	72,070,131
Cash and bank balances	13	382,729,323	512,783,681
		1,823,715,445	2,625,752,304
Total assets		1,881,508,198	2,713,465,635
EQUITIES AND LIABILITIES			
Share capital and reserves			
Authorized capital			
50,000,000 (2018: 50,000,000) ordinary shares of Rs.10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up capital	14	395,140,540	395,140,540
Unappropriated profit		586,774,762	1,123,359,679
Surplus of revaluation of investments		-	2,193,496
		981,915,302	1,520,693,715
Current liabilities			
Short term borrowings	15	481,564,998	620,521,139
Trade and other payables	16	404,566,689	557,495,229
Accrued markup		13,461,209	14,755,552
		899,592,896	1,192,771,920
Contingencies and commitments	17	-	-
Total equity and liabilities		1,881,508,198	2,713,465,635

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

CHIEF EXECUTIVE

MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT) LTD. K-084

DIRECTOR

MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT) LTD
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		Rupees	
Commission, dividend and other revenue	18	**165,605,399**	193,796,588
Capital loss on sale of investments		**(481,206,453)**	(334,414,572)
Impairment loss on TREC	6.2	-	(2,500,000)
Administration expenses	19	**(60,873,790)**	(60,640,158)
Finance costs	20	**(73,895,150)**	(48,464,890)
		(134,768,940)	(109,105,048)
		(450,369,994)	(252,223,032)
(Diminuition) / appreciation in fair value of short term investments	10	**(109,016,869)**	28,626,532
Other income	21	**21,033,491**	11,848,110
Loss before taxation		**(538,353,372)**	(211,748,390)
Taxation	22	**(27,417,674)**	(107,006,643)
Loss after taxation		**(565,771,046)**	(318,755,033)
Loss per share	23	**(14.32)**	(8.07)

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

CHIEF EXECUTIVE

MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT.) LTD. K-084

DIRECTOR

MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT) LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	Rupees	
Loss after taxation	**(565,771,046)**	(318,755,033)
Other comprehensive income		
Unrealised loss on remeasurement of investments during the year	-	(14,592,663)
Total comprehensive loss for the year	**(565,771,046)**	(333,347,696)

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

CHIEF EXECUTIVE

MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT.) LTD. K-084

DIRECTOR

MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT) LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	Issued, subscribed & paid up capital	Unappropriated profit	Surplus on remeasurement of investments	Total
	Rupees			
Balance as at July 01, 2017	395,140,540	1,433,766,568	25,134,303	1,854,041,411
Loss after taxation	-	(318,755,033)	-	(318,755,033)
Other comprehensive loss	-	-	(14,592,663)	(14,592,663)
Reclassification of surplus on revaluation upon reclassification of long term investment to short term investment	-	8,348,144	(8,348,144)	-
Balance as on June 30, 2018	395,140,540	1,123,359,679	2,193,496	1,520,693,715
Balance as at July 1, 2018 (as previously reported)	**395,140,540**	**1,123,359,679**	**2,193,496**	**1,520,693,715**
Effect of adoption of new accounting standards (Note 3.2)	-	**29,186,129**	**(2,193,496)**	**26,992,633**
Balance as at July 1, 2018 (restated)	**395,140,540**	**1,152,545,808**	-	**1,547,686,348**
Loss after taxation	-	**(565,771,046)**	-	**(565,771,046)**
Other comprehensive loss	-	-	-	-
Balance as on June 30, 2019	**395,140,540**	**586,774,762**	-	**981,915,302**

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

CHIEF EXECUTIVE

MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT.) LTD. K-084

DIRECTOR

MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT) LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(538,353,372)	(211,748,390)
Adjustments for :			
Depreciation		6,583,566	3,780,325
Amortization of software		5,932	8,474
Gain on sale of investment property		-	(3,493,088)
Impairment of intangible asset		-	2,500,000
Reversal of impairment of receivables - net		(10,696,778)	-
(Diminuition) / appreciation in fair value of short term investments		109,016,869	(28,626,532)
Financial charges		73,895,150	48,464,890
		178,804,739	22,634,069
Operating profit before working capital changes		(359,548,633)	(189,114,321)
Change in working capital			
(Increase)/decrease in current assets			
Trade debts		257,491,299	283,483,861
Advances, deposits and other receivable		(203,599)	24,584,438
		257,287,700	308,068,299
Increase/(decrease) in current liabilities			
Trade and other payables		(152,928,540)	24,359,456
Cash generated from operations		(255,189,473)	143,313,434
Financial charges paid		(75,189,494)	(56,421,724)
Income tax paid		(28,996,698)	(38,545,464)
Net cash flow from operating activities		(359,375,665)	48,346,246
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(122,500)	(23,730,610)
Purchase / sale of investments-net		368,299,948	282,345,352
Sale proceeds of investment property		-	3,493,088
Long term deposits		100,000	210,000
Net cash inflow from investing activities		368,277,448	262,317,830
Net increase in cash and cash equivalents		8,901,783	310,664,076
Cash and cash equivalents at the beginning of the year		(107,737,458)	(418,401,534)
Cash and cash equivalents at the end of the year	24	(98,835,675)	(107,737,458)

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

CHIEF EXECUTIVE

MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT.) LTD. K-084

DIRECTOR

1 STATUS AND NATURE OF BUSINESS

Mohammad Munir Mohammad Ahmed Khanani Securities (Pvt) Limited ('the Company') is a private limited Company incorporated under the repealed Companies Ordinance, 1984 on March 02, 2006. The Company is a Trading Right Entitlement Certificate Holder of the Pakistan Stock Exchange Limited. The registered office of the Company is located at Room No. 624-627, Stock Exchange Building, Pakistan Stock Exchange Road, Karachi. The principal activity of the Company is to carry on the business of stock, brokerage, underwriting and investment etc.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policy are as follows:

	Note
(a) Useful lives and residual values of property and equipment	*4.1*
(b) Useful lives and residual values of intangible asset	*4.2*
(c) Useful live and residual value of investment property	*4.3*
(d) Provision for taxation	*4.7*

2.5 New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Company's financial statements.

3 INITIAL APPLICATION OF IFRS 9 AND IFRS 15

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

3.1 IFRS 15 'Revenue from Contracts with Customers'

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

Nr

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

3.2 IFRS 9 'Financial Instruments'

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

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

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

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

The accounting policies that apply to financial instruments are stated in note 4.9 to the financial statements.

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

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount	New carrying amount	Effect on July 01, 2018 on Retained Earning
Long term deposit	LR	AC	2,290,000	2,290,000	-
Long term investments	AFS	A FVTPL	23,353,580	23,353,580	-
Short term investments	HFT	A FVTPL	1,321,276,936	1,321,276,936	-
Trade debts	LR	AC	222,424,282	284,358,615	(61,934,333)
Receivable against margin financing	LR	AC	437,201,410	402,259,710	34,941,700
Advances and deposits	LR	AC	16,213,539	16,213,539	-
Other receivable	LR	AC	43,782,325	43,782,325	-
Bank balances	LR	AC	512,365,444	512,365,444	-

- "AFS" is available-for-sale
- "HFT" is held-for-trading
- "FVTPL" is fair value through profit or loss
- "LR" is loans and receivables
- "AC" is amortised cost

Though upon initial application of IFRS 9, the classification of financial assets changed as aforesaid, the said change had no impact on the carrying amount of those financial assets as on July 01, 2018 (i.e. the date of initial application of IFRS 9).

Further, long term investments which, previously, were classified as 'available-for-sale' under IAS 39, due to restriction imposed by regulatory authorities on its trade. However, subsequent to year end, said restriction was revoked and therefore, management intends to dispose off these securities in near time. As a result, the aforesaid investments with an aggregate carrying value of Rs. 23.353 million (as on July 01, 2018 - the date of initial application of IFRS 9) were re-classified as carried at FVTPL. However, in accordance with an option available under the transitional provisions of IFRS 9, the said change in classification of investments was only accounted for as at July 01, 2018 (and not retrospectively) and, hence, the comparative figures reported in the statement of financial position, statement of profit or loss, statement of comprehensive income and the statement of cash flows have not been restated.

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities.

ii) ***Impairment***

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

During the year, the Company has changed its accounting policy with respect to measurement of credit loss allowance on financial assets to bring it in line with the new impairment requirements of IFRS 9 as noted above. For the revised accounting policy, please refer note 4.9.3 to these financial statements.

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 July 01, 2018	Remeasurement	ECL under IFRS 9 as at July 01, 2018
Provision for doubtful debts - Trade debts	65,779,230	(61,934,333)	3,844,897
Provision against marginal financing	-	34,941,700	34,941,700
	65,779,230	(26,992,633)	38,786,597

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Mr

4.1 Property and equipment

Owned

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

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

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

4.2 Intangible assets

Computer software

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

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

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

Trading Rights Entitlement (TRE) Certificate

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

4.3 Investment property

Investment property, which is property held to earn rentals and for capital appreciation. Investment property is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises expenditure that is directly attributable to the acquisition of the asset including transaction costs.

Depreciation on investment property is charged using reducing balance method in accordance with the rates specified in note 9 to these financial statements. The useful life and depreciation method are reviewed and adjusted, if appropriate, at each statement of financial position date.

4.4 Trade debts and other receivables

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

4.5 Cash and Cash equivalents

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

4.6 Trade and other payables

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

4.7 Taxation

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

Current tax

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

4.8 Provisions

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

4.9 Financial instruments

4.9.1 *Classification and initial measurement*

The Company classifies its financial instruments in the following categories:

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

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

(c) at amortised cost.

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets at FVOCI

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

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

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

Nr

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

(c) Financial assets at FVTPL

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

Such financial assets are initially measured at fair value.

4.9.2 ***Subsequent measurement***

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets at FVOCI

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

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

(c) Financial assets at FVTPL

These assets are subsequently measured at fair value.

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

4.9.3 ***Impairment***

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

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

4.9.4 *De-recognition*

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

4.10 Financial liabilities

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

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

4.11 Offsetting of financial assets and financial liabilities

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

4.12 Related party transactions

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

4.13 Revenue recognition

Revenue from trading activities

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

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

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

Dividend income

Dividends received from investments measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognized in the statement of profit or loss when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

M

Interest income

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

Rental income

Rental income from investment property is recognized on accrual basis.

5 PROPERTY AND EQUIPMENT

	Office Premises	Office Equipment	Computers	Furniture and Fixtures	Vehicles	Total
As at July 01, 2017						
Cost	7,500,000	2,111,513	14,326,008	327,659	7,814,655	32,079,835
Accumulated depreciation	(759,454)	(1,407,044)	(11,820,630)	(195,124)	(3,421,258)	(17,603,510)
Net book value	6,740,546	704,469	2,505,378	132,535	4,393,397	14,476,325
Year ended June 30, 2018						
Opening net book value	6,740,546	704,469	2,505,378	132,535	4,393,397	14,476,325
Additions during the year	-	802,750	1,597,500	-	21,330,360	23,730,610
Depreciation for the year	(337,027)	(115,093)	(864,532)	(13,254)	(1,194,251)	(2,524,157)
Closing net book value	6,403,519	1,392,126	3,238,346	119,281	24,529,506	35,682,778
As at June 30, 2018						
Cost	7,500,000	2,914,263	15,923,508	327,659	29,145,015	55,810,445
Accumulated depreciation	(1,096,481)	(1,522,137)	(12,685,162)	(208,378)	(4,615,509)	(20,127,667)
Net book value	6,403,519	1,392,126	3,238,346	119,281	24,529,506	35,682,778
Year ended June 30, 2019						
Opening net book value	6,403,519	1,392,126	3,238,346	119,281	24,529,506	35,682,778
Additions during the year	-	-	122,500	-	-	122,500
Depreciation for the year	(320,176)	(139,213)	(12,988)	(11,928)	(4,905,901)	(5,390,206)
Closing net book value	6,083,343	1,252,913	3,347,858	107,353	19,623,605	30,415,072
As at June 30, 2019						
Cost	7,500,000	2,914,263	16,046,008	327,659	29,145,015	55,932,945
Accumulated depreciation	(1,416,657)	(1,661,350)	(12,698,150)	(220,306)	(9,521,410)	(25,517,873)
Net book value	6,083,343	1,252,913	3,347,858	107,353	19,623,605	30,415,072
Annual rates of depreciation	5%	10%	30%	10%	20%	

6 INTANGIBLE ASSETS

	Note	2019	2018
		Rupees	
Computer software	6.1	13,842	19,774
Trading Rights Entitlement (TRE) Certificate			
- Cost		2,500,000	44,926,170
- Impairment		-	(42,426,170)
	6.2	2,500,000	2,500,000
		2,513,842	2,519,774

6.1 Computer Software

	2019	2018
Cost		
Opening as at July 1	1,000,000	1,000,000
Additions during the year	-	-
Closing balance	1,000,000	1,000,000
Accumulated amortization		
Opening as at July 1	(980,226)	(971,752)
Charge for the year	(5,932)	(8,474)
Closing balance	(986,158)	(980,226)
Net book value as at June 30	13,842	19,774
Amortisation rate	30%	30%

6.2 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.

	Note	2019	2018
		Rupees	
7 LONG TERM INVESTMENT			
Investment in shares of Pakistan Stock Exchange Limited:			
Cost of investment		10,811,940	10,811,940
Surplus on revaluation			
Opening balance		10,541,640	25,134,303
(Loss) / gain recognized during the year		-	(14,592,663)
		10,541,640	10,541,640
	7.1	21,353,580	21,353,580
Investment in mutual funds:			
AKD Islamic income fund		1,000,000	1,000,000
AKD Islamic stock fund		1,000,000	1,000,000
		2,000,000	2,000,000
		23,353,580	23,353,580
Transfer to short term investments - carried at fair value through profit or loss		(23,353,580)	-
		-	23,353,580

7.1 This represents the investment in ordinary shares of Pakistan Stock Exchange Limited (PSX) received by the Company in pursuance of the promulgation of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. The total number of shares received by the Company were 4,007,383 out of which 60% shares were held in a separate blocked account marked as freeze in the Central Depository Company of Pakistan Limited (CDC) to restrict the sale of such shares by the members of PSX.

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

	Note	2019	2018
		Rupees	
8 LONG TERM DEPOSITS			
Deposit placed with			
Central Depository Company- Basic deposit		100,000	100,000
National Clearing Company of Pakistan- Basic deposit		200,000	200,000
National Clearing Company of Pakistan- IPO deposit		100,000	100,000
National Clearing Company of Pakistan- Broker to broker		-	100,000
National Clearing Company of Pakistan- Future		1,200,000	1,200,000
Pakistan Mercantile Exchange Limited- Basic deposit		500,000	500,000
Others		90,000	90,000
		2,190,000	2,290,000

9 INVESTMENT PROPERTY

	Rupees
As at June 30, 2017	
Cost	25,849,482
Accumulated depreciation	(726,115)
Net book value	25,123,367
Year ended June 30, 2018	
Opening net book value	25,123,367
Disposal during the year	
Cost	(250,000)
Accumulated depreciation	250,000
	-
Depreciation for the year	(1,256,168)
Closing net book value	23,867,199
As at June 30, 2018	
Cost	25,599,482
Accumulated depreciation	(1,732,283)
Net book value	23,867,199
Year ended June 30, 2019	
Opening net book value	23,867,199
Depreciation for the year	(1,193,360)
Closing net book value	22,673,839
As at June 30, 2019	
Cost	25,599,482
Accumulated depreciation	(2,925,643)
Net book value	22,673,839
Annual rate of depreciation	5%

9.1 This represents a shop having a covered area of 1889 square feet which has been let on rent to M/S. Habib Bank Limited. The shop is located at showroom No.102, The Residence, Plot no. D-18, Block-8, Chowdhery Khaliq uz Zaman Road, Clifton, Karachi. The fair value of investment property is Rs. 52.50 million.

10 SHORT TERM INVESTMENTS - FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	Rupees	
Investment in quoted securities		
Cost of investment	1,125,895,194	1,494,195,141
Transfer from long term investments	10,811,940	
(Deficit) on revaluation		
Opening balance	(172,918,205)	(201,544,737)
Transfer from long term investments	10,541,640	
Gain / (Loss) recognized during the year	(109,016,869)	28,626,532
	(271,393,434)	(172,918,205)
	865,313,700	1,321,276,936
Investment in mutual funds:		
AKD Islamic income fund	1,000,000	-
AKD Islamic stock fund	1,000,000	-
	2,000,000	-
	867,313,700	1,321,276,936
Pledged with Banks		
Clients	173,797,465	268,683,434
Brokerage House	599,835,463	825,511,962
	773,632,928	1,094,195,396
Pledged with PSX / NCCPL		
Clients	27,220,524	18,761,640
Brokerage House	146,675,792	260,883,187
	173,896,316	279,644,827

	Note	2019	2018
		Rupees	
11 TRADE DEBTORS			
Trade receivables - gross		**311,771,789**	288,203,512
Less: Impairment against trade receivable	*11.1*	**(16,074,750)**	(65,779,230)
		295,697,039	222,424,282
Receivable against Margin Financing - gross		**156,141,834**	437,201,410
Less: Impairment against margin financing receivable	*11.2*	**(12,015,069)**	-
		144,126,765	437,201,410
		439,823,804	659,625,692

11.1 Movement in provision for doubtful trade debts

	2019	2018
Balance at the beginning of the year (as previously reported)	**65,779,230**	-
Add: Effect of application of IFRS 9	**(61,934,333)**	-
Balance at the beginning of the year (restated)	**3,844,897**	-
Charged during the year	**12,229,853**	-
Reversed during the year	**-**	-
Balance at the end of the year	**16,074,750**	-

11.2 Movement in provision for doubtful margin financing receivable

	2019	2018
Balance at the beginning of the year (as previously reported)	**-**	-
Add: Effect of application of IFRS 9	**34,941,700**	-
Balance at the beginning of the year (restated)	**34,941,700**	-
Charged during the year	**-**	-
Reversed during the year	**(22,926,631)**	-
Balance at the end of the year	**12,015,069**	-

12 ADVANCES AND OTHER RECEIVABLES

	2019	2018
Advances		
Advance against right shares	**-**	3,389,900
Advance against subscription in IPO	**-**	2,823,639
Advance to PMEX against offices	**10,000,000**	10,000,000
Other receivables		
Receivable from PSX against profit held on Deliverable Futures Contracts	**14,003,140**	11,003,880
MTS concentration margin placed with NCCPL	**1,424,128**	6,008,285
Markup on margin financing	**32,242,161**	22,985,092
Rent receivable	**-**	1,182,774
Others	**2,530,034**	2,602,294
	60,199,463	59,995,864

13 CASH AND BANK BALANCES

	2019	2018
Cash in hand	**415,737**	418,237
Cash at banks - current accounts	**581,938**	1,653,706
Cash at banks - saving accounts	**381,731,648**	510,711,738
	382,729,323	512,783,681

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

13.2 The cash at bank pertaining to client accounts amounting to Rs. 382,304,386 (2018: Rs. 512,355,444).

14 ISSUED, SUBSCRIBED & PAID UP CAPITAL

2019	2018		2019	2018
(Number of shares)			Rupees	
39,514,054	39,514,054	Ordinary shares of Rs.10/- each fully paid in cash	395,140,540	395,140,540

14.1 PATTERN OF SHAREHOLDING

Categories of shareholders	2019 Number of shares held	2019 % of Shares held	2018 Number of shares held	2018 % of Shares held
Individuals				
Muhammad Munir Khanani	39,513,854	99.9995%	39,513,854	99.9995%
Manzoor Ahmed	100	0.0003%	100	0.0003%
Mohammad Arif	100	0.0003%	100	0.0003%
	39,514,054	100.00%	39,514,054	100.00%

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

15 SHORT TERM BORROWING

	Note	2019	2018
		Rupees	
Askari Bank Limited	15.1	47,497,683	69,814,912
Summit Bank Limited	15.2	-	48,549,473
JS Bank Limited	15.3	269,187,315	502,156,754
Soneri Bank Limited	15.4	164,880,000	-
		481,564,998	620,521,139

15.1 This represents short term running finance facilities amounting to Rs. 500 million (2018: Rs. 500 million) from Askari Bank Limited for working capital requirement at a markup of 1 month kibor + 2% per annum (2018: 3 month kibor +2% per annum) which is secured by:

> Pledge of shares / Third party shares as per Bank's approved list.
> Personal guarantee of all directors.

The facility is due to expire on December 31, 2019.

15.2 This represents short term running finance facilities amounting to Rs. 500 million (2018: Rs. 500 million) from Summit Bank Limited for working capital requirement at a markup of 3 month kibor + 2.0% per annum (2017: 3 month kibor +2.0% per annum) which is secured by:

> Pledge of shares as per Bank's approved list.
> Personal guarantee of Mr. Muhammad Munir Khanani

The facility was expired on February 20, 2019.

15.3 This facility I represents short term running finance facilities amounting to Rs. 1.5 billion (2018: Rs. 1.1 billion) from JS Limited for working capital requirement at a markup of 1 month kibor + 1.85% per annum (2018: 3 month kibor +2.0% per annum) which is secured by:

> Pledge of shares as per Bank's approved list.
> Personal guarantee of Mr. Muhammad Munir Khanani
> Equitable mortgage of residential bungalow at plot no. B-18,NHS, Karsaz, Dalmia. Road, Karachi.
> 1st Equitable mortgage of Commercial Plot D-18. Block-8. KDA Scheme No.5. Clifton. Karachi

M

The facility I is due to expire on June 30, 2019.

The facility II is presenting Bank Guarantee amounting to Rs. 45 million in favour of NCCPL & PSX as margin eligible security for one year renewable at rate of .25% per quarter commission which is secured by:

> Equitable mortgage over plot # 26-A/I/l, Golf Course Road, Phase-VI, DHA, Karachi.
> 1st Equitable mortgage Charge to be registered with SECP over Of 602 & 603, 6 Floor, Karachi Stock Exchange Building, Karachi, I.I.Chundrigar Road, Karachi
> Equitable mortgage over Office No 624, 625,626 & 627 on Six Floor of Karachi Stock Exchange Building.
> Personal Guarantees of company's directors and Counter Guarantee to be executed by the company.

The facility II annual review date on June 30, 2019.

15.4 This represents short term running finance facilities amounting to Rs. 500 million (2018: Nil) from Soneri Bank Limited for working capital requirement at a markup of 3 months kibor + 1.50% per annum (2018: Nil) which is secured by:

> Pledge of shares / Third party shares as per Bank's approved list.
> Margin with 30% & 40% pledge of shares as per Bank approved list attachment A and B respectively.

The facility is due to expire on November 30, 2019.

	2019	2018
	Rupees	
16 TRADE AND OTHER PAYABLES		
Trade payables	**381,843,645**	511,105,506
Accrued expenses	**1,713,950**	1,354,579
Sind sales tax payable	**928,708**	1,449,700
Withholding income tax payable	**443,669**	618,240
Payable to agents	**6,780,602**	13,041,632
Future profit withheld	**12,856,115**	8,762,845
UIN net demand- Deliverable futures contracts	**-**	13,146,414
UIN net demand- Margin trading system	**-**	8,016,313
	404,566,689	557,495,229

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

The Taxation Officer Inland Revenue has created Demand for tax year 2014 amounted to Rs. 33,588,759/-. The said is duly challenged before the Appellate Tribunal Inland Revenue Karachi which is pending adjudication. In addition to this, the company has also filed appeal with Honorable Sindh High Court, Karachi C.P.No. D-4552 of 2017 seeking stay for recovery of tax demand which is duly granted to the Company. The Sindh High Court has passed the interim order and directed not to enforce recovery till next date of hearing.

	2019	2018
	Rupees	
17.2 Commitment		
Bank guarantee provided in favour of NCCPL against deliverable futures contracts	**45,000,000**	45,000,000

W

	Note	2019	2018
		Rupees	

18 COMMISSION, DIVIDEND AND OTHER REVENUE

		2019	2018
Commission income		143,844,282	189,544,150
Less: Commission paid		(68,635,369)	(84,258,590)
Net commission earned		75,208,913	105,285,560
Commission on share application		47,784	1,319,093
Dividend income		45,648,224	28,909,261
Profit on Future cash margin		775,416	363,491
Profit on MTS margin		468,813	344,136
Markup on Margin Financing		27,357,880	27,382,960
Markup overdue on Margin financing		9,257,069	22,985,092
Others		6,841,300	7,206,995
		165,605,399	193,796,588

19 ADMINISTRATIVE EXPENSES

	Note	2019	2018
Staff salaries & allowances		8,691,540	8,608,224
Directors' remuneration	*19.1*	600,000	600,000
PSX charges		8,167,057	9,509,239
CDC charges		7,311,159	8,015,921
NCSS & UIN charges		9,185,879	10,940,440
IKATS & gateway charges		433,195	209,467
Traveling & Conveyance		-	149,100
Insurance		565,000	1,150,950
Communication	*19.2*	1,758,902	1,580,610
Repair & Maintenance		8,969	184,128
Legal and professional charges	*19.3*	416,680	1,374,180
Printing & stationary		276,055	233,436
Electricity bills		1,351,779	1,069,081
Office service charges	*19.4*	915,896	264,121
General expense	*19.5*	211,065	1,531,518
Auditors' remuneration	*19.6*	600,000	500,000
Water charges		210,000	211,200
Postage and courier		130,027	302,660
Software charges	*19.9*	888,763	1,537,547
Fees and subscription	*19.10*	2,028,370	860,050
Rent, rates and taxes	*19.11*	1,644,996	3,224,153
Donation	*19.7 /19.8*	8,360,000	4,300,000
Amortization of software		5,932	8,474
Depreciation on investment property	*9*	1,193,360	1,256,168
Depreciation on property and equipment	*5*	5,390,206	2,524,157
		60,873,790	60,640,158

19.1 Chief Executive, Director and Executives Remuneration

	Chief Executive		Directors		Exceutives		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	Rupees							
Basic salary	-	-	400,000	400,000			400,000	400,000
House allowance	-	-	160,000	160,000			160,000	160,000
Utility allowance	-	-	40,000	40,000			40,000	40,000
	-	-	600,000	600,000	-	-	600,000	600,000
Number of persons	-	-	1	1	-	-	1	1

	2019	2018
	Rupees	
19.2 Communication expense includes the following:		
SMS charges paid to EOCEAN (Pvt) Ltd	118,125	-
Mobile bill paid to Jazz/Warid	20,584	25,246
Internet bill paid to PTCL	1,620,193	1,555,364
	1,758,902	1,580,610
19.3 Legal and professional charges include the following:		
Legal service charges paid to Minto & Mirza	250,000	300,000
Professional service charges paid to NAJMI	166,680	166,680
	416,680	466,680
19.4 Office service Charges include the following:		
Lahore room rent paid to Siddiq trade center	420,000	-
PSX room service charges paid to PSX limited	495,896	264,121
	915,896	264,121
19.5 General expense includes the following:		
Advertisement expense paid to PMEX Ltd	33,900	-
Parking Charges paid to PSX Ltd	134,240	94,900
General expense paid to miscellaneous	42,925	187,377
	211,065	282,277

19.6 Auditors' remuneration

Audit fee	600,000	500,000

19.7 None of the directors or their spouses have any interest in donees.

19.8 Company has made donations to the following parties of above the prescribed limit during the period;

- Shaukat Khanum Memorial Trust
- Sindh Institute of Urology and Transplantation
- Indus Hospital
- Child life Foundation
- Ida Riew Welfare Association

	2019	2018
	Rupees	
19.9 Software charges include the following:		
Online trading software charges paid to Catalyst solution	370,640	618,223
Back office software charges paid to Microlinks (Pvt) Ltd	518,123	919,324
	888,763	1,537,547
19.10 Fess and subscription includes the following:		
Research report charges paid to Akseer Research	1,803,480	751,450
Agent/Broker renewal charges paid to PSX	224,890	98,600
	2,028,370	850,050
19.11 Rent, rates and taxes include the following:		
Property tax paid to CBC Clifton	1,343,346	3,122,503
Professional tax paid to NBP	301,650	101,650
	1,644,996	3,224,153

		2019	2018
		Rupees	

20 FINANCE COSTS

	2019	2018
Markup	72,776,198	47,318,686
Bank charges	1,118,952	1,146,204
	73,895,150	48,464,890

21 OTHER INCOME

	2019	2018
Profit on saving account	102	768
Gain on disposal of investment property	-	3,493,088
Rental income	10,336,611	8,099,926
Income On escrow account	-	254,328
Provision for doubtful debts - net	10,696,778	-
	21,033,491	11,848,110

22 TAXATION

	2019	2018
Current	11,947,249	36,198,507
Prior year	15,470,425	40,576,425
Deferred tax	-	30,231,711
	27,417,674	107,006,643

22.1 Reconciliation of tax expense with accounting profit / (loss)

	2019	2018
Accounting loss before tax	(538,353,372)	(211,748,390)
Tax effect of exempt income and income taxed at lower rate	(6,390,962)	(4,047,297)
Tax effect of income taxed under presumptive tax regime	18,338,211	40,245,804
Effect of change in prior tax	15,470,425	40,576,425
Effect of reversal of deferred tax asset	-	30,231,711
	27,417,674	107,006,643

23 LOSS PER SHARE

Basic loss per share

	2019	2018
Loss after taxation	(565,771,046)	(318,755,033)
Weighted average number of shares	39,514,054	39,514,054
Loss per share	(14.32)	(8.07)

Diluted loss per share

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

	2019	2018
	Rupees	

24 CASH AND CASH EQUIVALENTS

	2019	2018
Cash and bank balances	382,729,323	512,783,681
Short term borrowings	(481,564,998)	(620,521,139)
	(98,835,675)	(107,737,458)

25 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of key management personnel of the Company, directors 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. Remuneration of the director is disclosed in note 19.1 to the financial statements. Transactions with related parties during the year, other than those disclosed elsewhere in these financial statements, are as follows:

Name of the related party and relationship with company		2019	2018
		Rupees	
Key Management Personnel	Brokerage commission earned during the year on sale and purchase of securities	**3,187,147**	2,667,555
	Balance payable at year end	**27,189**	-
	Balance receivable at year end	-	373,195

26 FINANCIAL INSTRUMENTS

26.1 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk in respect of trade debtors, long term deposits, short term advances and bank balances.

Concentration of credit risk arise when a number of counterparties 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 economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of an entity's performance to developments affecting a particular industry.

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

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

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

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

	2019	2018
	Rupees	
Long term deposits	**2,190,000**	2,290,000
Trade debts	**439,823,804**	659,625,692
Advances, deposits and other receivable	**60,199,463**	59,995,864
Bank balances	**382,313,586**	512,365,444
	884,526,853	1,234,277,000

b) **Impairment losses:**

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

	2019		2018	
	Gross Carrying amount	**Life time expected credit losses**	Gross Carrying amount	Life time expected credit losses
	Rupees			
Past due 1-30 days	**149,378,382**	**5,490,874**	134,626,251	1,221,623
Past due 31-180 days	**19,561,164**	**719,032**	54,622,779	495,657
Past due 181-365 days	**49,715,990**	**1,827,468**	22,610,140	205,168
More than 365 days	**93,116,253**	**8,037,375**	76,344,342	1,922,449
	311,771,789	**16,074,750**	288,203,512	3,844,897

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

	2019		2018	
	Gross Carrying amount	**Life time expected credit losses**	Gross Carrying amount	Life time expected credit losses
	Rupees			
Past due 1-30 days	**9,382,652**	**380,945**	86,215,578	3,723,601
Past due 31-180 days	**16,361,291**	**1,128,252**	158,854,390	13,456,034
Past due 181-365 days	**20,575,728**	**1,648,619**	54,270,952	4,034,103
More than 365 days	**109,822,163**	**8,857,253**	137,860,490	13,727,962
	156,141,834	**12,015,069**	437,201,410	34,941,700

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

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

Nr

c) The credit quality of Company's bank balances as at the balance sheet date can be assessed with reference to external credit ratings as follows:

	Rating Long term	Rating Agency	2019	2018
			------ Rupees ------	
Bank Alfalah	AA+	PACRA	**551,192**	4,010,126
Dubai Islamic Bak	AA	PACRA	**26,750,710**	29,892,242
National Bank	AAA	PACRA	**21,546**	496,631
Allied Bank	AAA	PACRA	**584,847**	188,881
Askari Bank	AA+	PACRA	**10,547,538**	26,522,705
Bank Al Habib	AA+	PACRA	**4,251,671**	3,833,059
Bank Islami	A+	PACRA	**106,200**	766,714
The Bank of Khyber	A	PACRA	**10,009,950**	32,614
Al Baraka Bank	A	PACRA	**1,700,000**	50,063,702
Faysal Bank	AA	PACRA	**28,666,908**	228,148
Habib Bank	AAA	PACRA	**811,809**	2,036,652
Habib Metropolitan	AA+	PACRA	**1,439,160**	3,347,671
JS Bank	AA-	PACRA	**172,320,987**	335,032,461
MCB Bank	AAA	PACRA	**863,700**	31,038,294
Meezan Bank	AA+	PACRA	**12,556,435**	21,226,500
Sindh Bank	A+	PACRA	**10,001,849**	99,641
Summit Bank	BBB-	PACRA	**36,721**	1,528,289
UBL Bank	AAA	PACRA	**784,363**	1,680,336
Soneri Bank	AA-	PACRA	**100,308,000**	340,778
			382,313,586	512,365,444

(ii) **Liquidity risk**

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

	2019			
	Carrying amount	**Contractual cash flows**	**Up to one year**	**More than one year**
Financial liabilities				
Short term borrowings	481,564,998	481,564,998	481,564,998	-
Trade and other payables	404,566,689	404,566,689	404,566,689	-
Accrued markup	13,461,209	13,461,209	13,461,209	-
	418,027,898	**418,027,898**	**418,027,898**	-

	2018			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
Financial liabilities				
Short term borrowings	620,521,139	620,521,139	620,521,139	-
Trade and other payables	557,495,229	557,495,229	557,495,229	-
Accrued markup	14,755,552	14,755,552	14,755,552	-
	1,192,771,920	1,192,771,920	1,192,771,920	-

(iii) **Market risk**

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

(a) Currency risk

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

(b) Interest rate risk

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

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

	2019	2018	2019	2018
	Effective interest rate (%)		Carrying amounts (Rs.)	
Financial assets				
Bank deposits - PLS *account*	7.5% - 9%	5% - 6%	381,731,648	510,711,738
Financial liabilities				
Short term borrowings	3 Months KIBOR + 2%-2.5%	3 Months KIBOR + 2%-2.5%	481,564,998	620,521,139

Sensitivity analysis

Fair value sensitivity

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

Cash flow sensitivity

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

	Effect on profit or loss	
	100 bps increase	100 bps decrease
	------------- Rupees -------------	
As at June 30, 2019	9,983,335	(9,983,335)
As at June 30, 2018	10,980,940	(10,980,940)

(c) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest / markup rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Company exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 867.314 million (2018: Rs. 1,344.631 million) at the reporting date. The Company manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investment 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 realised in the subsequent sale of a investment, made significantly differ form the reported market value. Fluctuation in the market price of a security may result from perceive changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, the amount realised on sale of a particular security may be affected by the relative quantity of the security being sold.

Sensitivity analysis

The table below summarises the Company's equity price risk as at June 30, 2019 and shows the effect of a hypothetical 5% increase or decrease in market prices as at the reporting date. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenario. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Company's equity investment portfolio.

	Fair value	**Hypothetical price change**	**Hypothetical increase / (decrease) in other comprehensive income**
June 30, 2019	**867,313,700**	**5% change**	**43,365,685**
June 30, 2018	1,344,630,516	5% change	67,231,526

26.2 Financial instruments by category

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

	2019			
	Financial assets at amortised cost	**At fair value through other comprehensive income**	**At fair value through profit or loss**	**Financial liabilities at amortised cost**
June 30, 2019				
Financial assets				
Long term investment	-	-	-	-
Long term deposits	2,190,000	-	-	-
Short term investment - Fair value through profit or loss	-	-	867,313,700	-
Trade debts	439,823,804	-	-	-
Advances, deposits and other receivable	60,199,463	-	-	
Cash and bank balances	382,729,323	-	-	-
	884,942,590	-	**867,313,700**	-
Financial liabilities				
Short term borrowings	-	-	-	**481,564,998**
Trade and other payables	-	-	-	**404,566,689**
Accrued markup	-	-	-	**13,461,209**
	-	-	-	**899,592,896**

	2018			
	Financial assets at amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Financial liabilities at amortised cost
June 30, 2018				
Financial assets				
Long term investment	-	23,353,580	-	-
Long term deposits	2,290,000	-	-	-
Short term investment - Fair value through profit or loss	-	-	1,321,276,936	-
Trade debts	659,625,692	-	-	-
Advances, deposits and other receivable	59,995,864	-	-	-
Cash and bank balances	512,783,681	-	-	-
	1,234,695,237	23,353,580	1,321,276,936	-
Financial liabilities				
Short term borrowings	-	-	-	620,521,139
Trade and other payables	-	-	-	557,495,229
Accrued markup	-	-	-	14,755,552
	-	-	-	1,192,771,920

26.3 **Fair value hierarchy**

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	Rupees			
June 30, 2019				
Long term investments	-	-	-	-
Short term investments	867,313,700	-	-	867,313,700
	867,313,700	-	-	867,313,700

	Level 1	Level 2	Level 3	Total
	Rupees			
June 30, 2018				
Long term investments	23,353,580	-	-	23,353,580
Short term investments	1,321,276,936	-	-	1,321,276,936
	1,344,630,516	-	-	1,344,630,516

27 CAPITAL ADEQUACY LEVEL AND CAPITAL 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 of the Company as of the reporting date was as follows:

	2019	2018
	Rupees	
Total assets	1,881,508,198	2,713,465,635
Less: Total liabilities	899,592,896	1,192,771,920
Less: Revaluation reserves (created upon revaluation of fixed assets)	-	-
Capital Adequacy Level as at June 30	981,915,302	1,520,693,715

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.

Nr

		2019	2018
		Number	
28	**NUMBER OF EMPLOYEES**		
	Total number of employees as at June 30,	**14**	14
	Average number of employees during the year	**14**	14

29 GENERAL

29.1 The financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on 25 SEP 2019.

29.2 Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT.) LTD. K-084

DIRECTOR