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ADAM SECURITIES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

DIRECTORS' REPORT

Dear Fellow Members of Adam Securities Limited,

On behalf of the Board of Directors, I am pleased to present the Financial Statements of Adam Securities Limited (ASL) for the year ended June 30, 2019.

Economic Review:

The outgoing five-year plan has seen an average growth of 4.7 percent against the target of 5.4 percent. This growth can be characterized as consumption led growth. The unplanned borrowing from different sources increased both private and public consumption resulting in higher debt repayment liabilities, which created severe macroeconomic imbalances. The investment did not pick up as higher demand was met primarily through imports leading to enormous rise in external imbalances. Due to low growth in revenues and the unplanned and unproductive expenditures, the fiscal deficit widened. The persistence of large fiscal and current account deficits and associated build up of public and external debt became the major source of macroeconomic imbalance.

Stock Market Review:

During FY 2019, the performance of stock markets presented a mixed trend, largely due to macroeconomic adjustments undertaken by the incumbent government to correct underlying imbalances in the economy. However, the KSE-100 index resumed its momentum from the start of January 2019 following incentives given in the Finance Bill 2019 for investment promotion. Later, the upsurge was halted as uncertainty prevailed in the market because of post February 26 stand-off at the border with India escalating military operations ahead of the General Elections. However, an agreement has been reached with the IMF for a bailout program, which will help in restoring the eroded confidence in the market that would allow an increased interest in the equity and debt markets of the country

Your Company's Performance

The Company has posted after tax profit of FY19 PKR 43.9 million (FY18: Profit of PKR 17.5 million) which translates into basic EPS of FY19 PKR 1.66 per share. (FY18: Profit of PKR 0.70 per share).

The financial year 2019 witnessed a decline of 47.7% in operating revenues compared to last financial year 2018. However the investment in shares segment posted a decent performance with a gain of PKR 59.7 million witnessed an increase of 90.2% compared to last financial year 2018. (FY18: 31.4 million).

During the period, our finance cost has decreased and posted a total of FY19 PKR 2.3 million (FY18: PKR 3.3 million). Despite the increase in policy rate, your management has made considerable efforts in effectively managing the Company's liquidity by revising down the borrowing rates and efficiently managing the funds of the Company.

The equity of the Company as at the balance sheet date is PKR 496.1 million (June 2018 PKR 444.5 million), which translates into book value per share of PKR 18.72 (June 30, 2018: PKR 17.78).

Future Prospects

The future prospects of your Company are encouraging on account of the Management's efforts in increasing the Company's market share and through wider participation in all its business segments. The Company is striving to yield better volumes by providing improved quality of services through extensive research, corporate access and advisory services. We are continuously working on expanding our online and retail client base in order to increase the market participation of investors and avail benefits from the lucrative market opportunities.

Acknowledgement

We are grateful to the Company's shareholders for their continuing confidence and patronage. We record our sincere appreciation to all Stakeholders for their unwavering support and guidance.

We acknowledge and appreciate the hard work put in by the employees of the Company during the period. We also acknowledge the valuable contribution and active role of the members of the Board Committees in supporting and guiding the management on matters of great importance.

For and on behalf of the Board of Directors,

Noman
Chief Executive Officer

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants
4th Floor, Central Hotel Building,
Civil Lines, Mereweather Road,
Karachi - Pakistan

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ADAM SECURITIES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **ADAM SECURITIES LIMITED** (the Company), which comprise the statement of financial position as at **June 30, 2019**, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement 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 profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement 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 profit, the total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

Management is responsible for the other information. The other information comprises the Director's report, but does not include the financial statements of the company and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are in adequate, 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 profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement 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 was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

OTHER MATTER

The Company's financial statements for the year ended June 30, 2018 were audited by Nasir Javaid Maqsood Imran, Chartered Accountants, who had issued an unqualified opinion thereon.

The engagement partner on the audit resulting in this independent auditor's report is ***Mehmood A. Razzak***.

Baker Tilly Mehmood Idrees Qamar

Karachi

Date: 03 OCT 2019

ADAM SECURITIES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	4	28,401,555	26,089,542
Intangible assets	5	2,750,000	2,750,000
Long term investment	6	22,494,388	29,791,989
Investment property	7	1,958,626	2,176,251
Long term advances and deposits	8	5,951,000	9,751,000
		61,555,569	70,558,782
CURRENT ASSETS			
Trade receivables	9	39,581,191	17,283,186
Receivable against margin financing / margin trading	10	165,342,668	50,090,917
Advances, deposits, prepayments and other receivables	11	326,533,982	491,410,502
Short term investments	12	93,017,585	120,954,945
Cash and bank balances	13	127,262,008	37,029,854
		751,737,434	716,769,404
TOTAL ASSETS		**813,293,003**	**787,328,186**
EQUITY AND LIABILITIES			
Authorized Share Capital			
26,500,000 Ordinary shares of Rs. 10/- each		**265,000,000**	**250,000,000**
Issued, Subscribed and Paid-up Share Capital			
26,500,000 (2018: 25,000,000) Ordinary shares of Rs. 10/- each	14	265,000,000	250,000,000
Unappropriated profit		222,480,367	177,935,425
Revaluation surplus		5,472,962	6,081,069
Unrealized gain on revaluation of investments		3,243,378	10,540,079
		496,196,707	444,556,572
LIABILITIES			
NON-CURRRENT LIABILITIES			
Long term loan	15	75,000,000	130,000,000
CURRENT LIABILITIES			
Short term Loan	16	55,000,000	-
Trade payables	17	86,945,240	77,307,031
Short term running finance - secured	18	-	-
Accrued expenses and other liabilities	19	100,151,056	135,464,583
		242,096,296	212,771,614
CONTINGENCIES AND COMMITMENTS	20	-	-
TOTAL EQUITY AND LIABILITIES		**813,293,003**	**787,328,186**

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive Officer **Director**

ADAM SECURITIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Revenue			
Operating revenue	21	40,340,491	77,194,645
Capital gain on sale of securities - net		59,734,666	31,400,932
Unrealised (loss) / gain on remeasurement of investments - net		(7,632,980)	2,809,407
		92,442,177	111,404,984
Administrative expenses	22	(75,287,639)	(86,929,639)
Finance cost	23	(2,305,739)	(3,351,788)
		(77,593,378)	(90,281,426)
Operating profit		**14,848,799**	**21,123,557**
Other charges	24	-	(2,577,451)
Other income	25	37,175,346	52,023,041
Profit before taxation		**52,024,145**	**70,569,147**
Taxation	26	(8,087,309)	(53,002,142)
Profit after taxation		**43,936,836**	**17,567,005**
Earnings per share - basic & diluted	27	1.66	0.70

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive Officer

Director

ADAM SECURITIES LIMITED
STATEMENT OF COMREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
Profit after taxation	**43,936,836**	**17,567,005**
Other comprehensive income		
Items that will not be reclassified to profit and loss account		
Loss on revaluation / transfer of available for sale investments-net	(7,296,701)	(14,591,656)
Total comprehensive income for the year	**36,640,135**	**2,975,349**

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive Officer **Director**

ADAM SECURITIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	Issued, subscribed and paid-up share capital	Revaluation surplus on office	Unrealised gain on revaluation of investments	Unappropriated profit	Total
	----------	----------	Rupees	----------	----------
Balance as at July 01, 2017	**250,000,000**	**6,756,743**	**25,131,735**	**160,368,419**	**442,256,898**
Total comprehensive income for the year					
Profit after taxation	-	-	-	17,567,005	**17,567,005**
Other comprehensive loss	-	-	(14,591,656)	-	**(14,591,656)**
	-	-	(14,591,656)	17,567,005	**2,975,349**
Incremental depreciation	-	(675,674)	-	-	**(675,674)**
Balance as at June 30, 2018	**250,000,000**	**6,081,069**	**10,540,079**	**177,935,425**	**444,556,572**
Issue of share capital during the year	15,000,000	-	-	-	**15,000,000**
Total comprehensive income for the year					
Profit after taxation	-	-	-	43,936,836	**43,936,836**
Other comprehensive loss	-	-	(7,296,701)	-	**(7,296,701)**
	-	-	(7,296,701)	43,936,836	**36,640,135**
Incremental depreciation	-	(608,107)	-	608,107	-
Balance as at June 30, 2019	**265,000,000**	**5,472,962**	**3,243,378**	**222,480,367**	**496,196,707**

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive Officer

Director

ADAM SECURITIES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		52,024,145	70,569,147
Add : Items not involved in movement of fund:			
Depreciation		4,810,204	3,762,481
Capital gain on sale of securities		(59,734,666)	(31,400,932)
Impairment loss		-	2,500,000
Loss on disposal of fixed assets		-	77,451
(Gain) on remeasurement of investments		(7,632,980)	(2,809,407)
Financial charges		2,305,739	3,351,788
		(60,251,704)	(24,518,619)
Operating profit before working capital changes		(8,227,559)	46,050,528
(Decrease) / increase in current assets			
Trade receivables		(22,298,005)	200,916,134
Receivable against margin financing / margin trading		(115,251,751)	19,185,692
Advances, deposits, prepayments and other receivables		184,719,106	(62,768,832)
		47,169,351	157,332,994
(Decrease) / increase in current liabilities			
Trade payables		9,638,209	4,891,961
Accrued expenses and other liabilities		(35,446,355)	(84,758,008)
		(25,808,145)	(79,866,047)
Taxes paid		(27,929,895)	(52,218,078)
Financial charges paid		(2,172,911)	(3,614,375)
Net cash (used in) / inflow from operating activities		**(16,969,161)**	**67,685,022**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of fixed assets		-	19,850
Purchase of property and equipment		(6,904,592)	(7,942,081)
Long term deposits		3,800,000	15,850,000
Short term investments		95,305,906	(71,588,097)
Net cash inflow from / (used in) operating activities		**92,201,314**	**(63,660,328)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issued share capital		15,000,000	-
Net cash inflow from financing activities		**15,000,000**	-
Net increase in cash and cash equivalents		**90,232,154**	**4,024,694**
Cash and cash equivalent at beginning of the year		37,029,854	33,005,161
Cash and cash equivalent at end of the year	*13*	**127,262,008**	**37,029,855**

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive Officer

Director

ADAM SECURITIES LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

1. NATUARE OF BUSINESS AND OPERATIONS

Adam Securities Limited (the Company) was incorporated in June 08. 2001 as a private limited company under the Companies Ordinance, 1984. The status of the company have been changed from Private Limited to Public Limited vide conversion certificate dated October 17. 2016 issued by SECP. The registered office of the Company is situated at Room No. 806-813. 8th Floor, Stock Exchange Building. Stock Exchange Road. Karachi, Pakistan. The company is engaged in the business of financial consultancy, brokerage, underwriting and investment counselling. It is a Trading Right Certificate Holder of the Pakistan Stock Exchange Limited. The branch offices are situated at Mezzanine floor, Plot no. 24-C, 27th Street, Tauheed Commercial Area . Phase V. DHA. Karachi.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise 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 derivatives and investments classified as at fair value through profit or loss which are stated at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved financial reporting 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 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.

2.5 Standards, interpretations and amendments applicable to financial statements

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

a) **Standards, interpretations and amendments to approved accounting standards which became effective during the year**

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which become effective for the current year:

i. **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.

There is no material impact on the financial statements of Company of adopting IFRS 15 - Revenue from Contracts with Customers.

ii. **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.

Gap analysis has been conducted and changes incorporated in the financial statements including change in the name of financial instruments. However, there is no material impact on the financial statements of Company of adopting IFRS 9 - Financial Instruments.

b) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:**

		Effective date (annual reporting periods beginning on or after)
IAS 1	Presentation of financial statements (Amendments)	January 1, 2020
IAS 8	Accounting policies, changes in accounting estimates and errors (Amendments)	January 1, 2020
IAS 12	Income Taxes (Amendments)	January 1, 2019
IAS 19	Employee benefits (Amendments)	January 1, 2019
IAS 23	Borrowing Costs (Amendments)	January 1, 2019
IAS 28	Investment in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRS 3	Business combinations (Amendments)	January 1, 2019
IFRS 9	Financial instruments (Amendments)	January 1, 2019
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty Over Income Tax Treatments	January 1, 2019

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation/disclosures. The management is in the process of assessing the impact of changes laid down by IFRS 16 and its effect on its financial statements.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

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

The following interpretations issued by the IASB have been waived of by SECP:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Owned

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset including borrowing costs.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

Disposal of an item of property, plant and equipment is recognized when significant risks and rewards incidental to ownership have been transferred. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized within 'Other operating expenses/income in the profit and loss account.

Depreciation is charged to profit and loss account applying the reducing balance method.

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

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount lower of it's fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset. Outstanding obligations under the lease less finance cost allocated to future periods are shown as a liability.

Finance cost under lease agreements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Leased assets are depreciated over the period shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Depreciation is charged to profit and loss account using reducing balance method.

3.2 **Intangible assets**

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, after taking into accounts 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 Right Entitlement 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.

Pakistan Mercantile Exchange - Membership card

Membership card represents corporate membership of Pakistan Mercantile Exchange with indefinite useful life. This is stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether this is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, this is written down to its estimated recoverable amount.

Computer software

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

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

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

Amortization is charged from the month in which the related asset is available for use while no amortization is charged for the month in which such asset is disposed off.

3.3 **Investment property**

Property that is held for long-term rental yields or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes, is classified as investment property. Investment property is initially measured at its cost, including related transaction costs and borrowing costs, if any.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expenses when incurred.

3.4 **Impairment**

A financial asset, other than that carried at fair value through profit or loss, is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred and that the loss event has a negative effect on the estimated future cash flows of that asset.

In case of investment in equity securities classified as available for sale and measured at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss measured as a difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized, is transferred from other comprehensive income to the profit and loss account. Such impairment losses are not subsequently reversed through the profit and loss account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the profit and loss account.

The carrying amount of the Company's non financial assets and investments carried at cost are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is higher of an asset's fair value less cost to sell and value in use. Impairment losses are recognized in the profit and loss account.

3.5 Financial assets

Initial Measurement

The Company classifies its financial assets into following three categories:
- measured at amortised cost.
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI);

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent measurement

Debt Investments at FVOCI

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, and impairment are recognised in the statement of profit or loss account. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit and loss account.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in the statement of profit and loss account.

Financial assets measured at amortised cost

Financial assets measured at these assets are subsequently measured at amortised cost using the effective amortised cost interest method. The amortised cost is reduced by impairment losses. Interest / markup income, and impairment are recognised in the statement of profit and loss account.

Equity Investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the statement of profit and loss account.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

3.6 Derivatives

Derivative instruments held by the Company primarily comprise of future contracts in the capital market. These are initially recognized at fair value and are subsequently re-measured at fair value. The fair value of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contracts. Derivatives with positive market values (unrealized gains) are included in assets and derivatives with negative market values (unrealized losses) are included in liabilities in the balance sheet. The resultant gains and losses are included in the profit and loss account.

3.7 Securities purchased / sold under resale / repurchase agreements

Transactions of purchase under resale (reverse-repo) of marketable securities including the securities purchased under margin trading system are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resale at a specified future date (reverse-repo) are not recognized in the balance sheet. Amounts paid under these agreements in respect of reverse repurchase transactions are included in assets. The difference between purchase and resale price is treated as income from reverse repurchase transactions in marketable transactions / margin trading system and accrued over the life of the reverse repo agreement.

Transactions of sale under repurchase (repo) of marketable securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investments. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as finance cost and accrued over the life of the repo agreement.

3.8 Financial liabilities

Financial liabilities are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. The Company derecognises the financial liabilities when contractual obligations are discharged or cancelled or expire. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

3.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle either on a net basis, or realize the asset and settle the liability simultaneously.

3.10 Trade debts and other receivables

Trade debts and other receivables are recognized at fair value and subsequently measured at amortized cost. A provision for impairment in trade debts and other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables. Trade debts and other receivables considered irrecoverable are written off. Trade Receivables in respect of securities sold on behalf of client are recorded at settlement date of transaction.

3.11 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.

3.12 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.13 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.14 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. Trade payables in respect of securities purchased are recorded at settlement date of transaction.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.15 Taxation

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

Current

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

Deferred

Deferred tax is recognized using balance sheet liability method, providing for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.16 Provisions

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

3.17 Foreign currency transactions and translation

Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into functional currency using the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

3.18 Revenue recognition

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

- Brokerage, consultancy, advisory fee and commission etc. are recognized as and when such services are provided.

- Income from bank deposits, reverse repo and margin deposits is recognized at effective yield on time proportion basis.

- Dividend income is recorded when the right to receive the dividend is established.

- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.

- Unrealized capital gains / (losses) arising from mark to market of investments classified as 'financial assets at fair value through profit or loss are included in profit and loss account for the period in which they arise.

- Rental income from investment properties is recognized on accrual basis.

- Other/miscellaneous income is recognized on receipt basis.

- Income on financial assets (including margin financing) is recognised on time proportionate basis taking into account effective / agreed rate of the instrument.

- Unrealised gains / (losses) arising from mark to market of investments classified as 'available for sale' are taken directly to other comprehensive income.

- Gains / (losses) arising on revaluation of derivatives to fair value are taken to profit and loss account under other income / other expenses.

3.19 Borrowing costs

Borrowing costs incurred on short term and long term borrowing are recognized as an expense in the period in which these are incurred.

3.20 Related party transactions

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates on the same terms and conditions as third party transactions using valuation models, 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. PROPERTY AND EQUIPMENT

	Office	Office Equipments	Computer & Allied	Furniture & Fixtures	Air Conditioners	Motor Vehicle	Generator	Total
	Rupees							
Net carrying value basis								
Year ended June 30, 2019								
Opening net book value (NBV)	12,886,840	950,820	1,723,871	3,873,100	977,050	5,601,051	76,810	**26,089,542**
Additions (at cost)	-	-	201,092	12,600	98,900	6,592,000	-	**6,904,592**
Disposals (at NBV)	-	-	-	-	-	-	-	-
Depreciation charge	(1,288,684)	(142,623)	(577,489)	(581,910)	(161,393)	(1,828,958)	(11,522)	**(4,592,579)**
Closing net book value (NBV)	**11,598,156**	**808,197**	**1,347,474**	**3,303,790**	**914,557**	**10,364,093**	**65,288**	**28,401,555**
Gross carrying value basis								
As at June 30, 2019								
Cost	17,615,500	2,137,783	8,188,641	5,415,761	2,123,640	18,671,834	540,000	**54,693,159**
Accumulated depreciation	(6,017,344)	(1,329,586)	(6,841,167)	(2,111,971)	(1,209,083)	(8,307,741)	(474,712)	**(26,291,604)**
Net book value (NBV)	**11,598,156**	**808,197**	**1,347,474**	**3,303,790**	**914,557**	**10,364,093**	**65,288**	**28,401,555**
Net carrying value basis								
Year ended June 30, 2018								
Opening net book value (NBV)	10,933,611	540,964	1,784,701	2,752,307	623,228	5,715,935	90,365	**22,441,111**
Additions (at cost)	3,385,100	577,648	753,310	1,804,281	526,242	895,500	-	**7,942,081**
Disposals (at NBV)	-	-	(75,338)	-	-	(21,963)	-	**(97,301)**
Depreciation charge	(1,431,871)	(167,792)	(738,802)	(683,488)	(172,421)	(988,421)	(13,555)	**(4,196,349)**
Closing net book value (NBV)	**12,886,840**	**950,820**	**1,723,871**	**3,873,100**	**977,050**	**5,601,051**	**76,810**	**26,089,542**
Gross carrying value basis								
As at June 30, 2018								
Cost	17,615,500	2,137,783	7,987,549	5,403,161	2,024,740	12,079,834	540,000	**47,788,567**
Accumulated depreciation	(4,728,660)	(1,186,963)	(6,263,678)	(1,530,061)	(1,047,692)	(6,478,783)	(463,190)	**(21,699,026)**
Net book value (NBV)	**12,886,840**	**950,820**	**1,723,871**	**3,873,100**	**977,050**	**5,601,051**	**76,810**	**26,089,542**
Depreciation rate (% per annum)	**10%**	**15%**	**30%**	**15%**	**15%**	**15%**	**15%**	

5. INTANGIBLE ASSETS

	2019 Rupees	2018 Rupees
Trading Right Entitlement Certificates - Pakistan Stock Exchange Limited	2,500,000	5,000,000
Less: Impairment loss	-	(2,500,000)
	2,500,000	2,500,000
Membership card - Pakistan Mercantile Exchange Limited	250,000	250,000
	2,750,000	**2,750,000**

6. LONG TERM INVESTMENTS

	2019 Rupees	2018 Rupees
Investment in shares of Pakistan Stock Exchange Limited	10,811,260	41,161,265
Unrealized gain / (loss) on revaluation of investments	3,243,378	(13,398,206)
	14,054,638	27,763,059
Reversal of unrealised gain on revaluation of shares of PSX	-	(6,410,820)
Market value as on 30th June	14,054,638	21,352,239
Investment in shares of LSE Financial Services Limited	8,439,750	8,439,750
	22,494,388	**29,791,989**

7. INVESTMENT PROPERTY

	2019 Rupees	2018 Rupees
Opening balance at NBV	2,176,251	2,418,057
Addition at cost	-	-
Depreciation (rate of depreciation 10%)	(217,625)	(241,806)
	1,958,626	**2,176,251**

8. LONG TERM ADVANCES AND DEPOSITS

	2019 Rupees	2018 Rupees
Pakistan Stock Exchange Limited	10,000	1,310,000
National Clearing Company of Pakistan Limited	1,500,000	500,000
Pakistan Mercantile Exchange Limited	-	3,250,000
SLB basic deposit	-	250,000
Central Depository Company of Pakistan	100,000	100,000
Advance against property	4,191,000	4,191,000
Security deposit - rent	150,000	150,000
	5,951,000	**9,751,000**

9. TRADE RECEIVABLES

	2019 Rupees	2018 Rupees
Unsecured - considered good		
From clients	6,807,193	16,139,697
From clearing house	32,773,998	1,143,489
	39,581,191	**17,283,186**

10. RECEIVABLE AGAINST MARGIN FINANCING / MARGIN TRADING

	2019 Rupees	2018 Rupees
Investement in Margin Financing (MF)	22,277,523	50,090,917
Investement in Margin Trading System (MTS)	143,065,145	-
	165,342,668	**50,090,917**

11. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

	Note	2019 Rupees	2018 Rupees
Advance tax		181,444,824	161,602,238
Exposure deposit	*11.1*	79,311,104	231,331,163
PMEX Deposit		65,434,200	93,926,700
Other advances, deposits and prepayments		2,900	2,900
Other receivables		340,954	4,547,501
		326,533,982	**491,410,502**

11.1 This represents deposit with National Clearing Company of Pakistan Limited against the exposure margin in respect of trade in future and ready market.

12. SHORT TERM INVESTMENTS

	2019 Rupees	2018 Rupees
Investments at fair values through profit & loss		
Listed equity securities		
Listed equity securities	100,650,565	123,764,352
Unrealized (loss)/gain as a result of remeasurement at market value - net	(7,632,980)	(2,809,407)
Market value	**93,017,585**	**120,954,945**

13. CASH AND BANK BALANCES

	2019	2018
Cash in hand	697,767	192,521
Cash at bank:		
- Current accounts	844,872	1,698,678
- Savings accounts	125,719,370	35,138,655
	127,262,008	**37,029,854**

13.1 The return on these balances is 11.75% to 12.40% (2018: 3.75% to 4.60%) per annum on daily product basis.

13.2 Detail of customer assets held in designated bank accounts and Central Depository Company (CDC) are as follows.

	2019 Rupees	2018 Rupees
Customer assets held in the designated bank accounts	**50,385,142**	**35,224,617**
Customer assets held in the Central Depository Company	**345,813,232**	**41,305,971**
Securities pledged with financial institution	**142,894,869**	**99,246,525**

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14. SHARE CAPITAL

			Note	2019 Rupees	2018 Rupees
Authorized Share Capital					
Number of shares					
2019	**2018**				
25,000,000	25,000,000			250,000,000	250,000,000
1,500,000	-			15,000,000	-
26,500,000	**25,000,000**			**265,000,000**	**250,000,000**

Issued, Subscribed and Paid-up Share Capital

Number of shares 2019	Number of shares 2018		Note	2019 Rupees	2018 Rupees
22,280,000	22,280,000		*14.1*	222,800,000	222,800,000
2,720,000	2,720,000		*14.2*	27,200,000	27,200,000
1,500,000	-		*14.1*	15,000,000	-
26,500,000	**25,000,000**		***14.3***	**265,000,000**	**250,000,000**

14.1 Ordinary shares of Rs. 10 each fully paid in cash.

14.2 Ordinary shares of Rs. 10 each issued for consideration other than in cash.

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

14.4 Pattern of Shareholding

Name of Shares holders	2019 Percentage	2018 Percentage	2019 Number of Shares	2018 Number of Shares
Abdul Majeed Adam	48.9800%	51.9220%	12,980,500	12,980,500
Noman	51.0100%	48.0776%	13,519,400	12,019,400
Individual	0.0004%	0.0004%	100	100
	100%	**100%**	**26,500,000**	**25,000,000**

14.4.1 During the year, company increased its paidup capital by Rs. 15 million by issuing 1.5 million ordinary right shares at Rs. 10/- each.

15. LONG TERM LOAN

	Note	2019 Rupees	2018 Rupees
Loan from director - unsecured	*15.1*	75,000,000	130,000,000
		75,000,000	**130,000,000**

15.1 This represents interest free subordinated loan from directors which is repayable after one year.

16. SHORT TERM LOAN

	Note	2019 Rupees	2018 Rupees
Loan from director - unsecured		55,000,000	-
		55,000,000	**-**

17. TRADE PAYABLES

		2019 Rupees	2018 Rupees
Payable to clients		86,945,240	77,307,031
		86,945,240	**77,307,031**

18. SHORT TERM RUNNING FINANCE - SECURED

	Note	2019 Rupees	2018 Rupees
SHORT TERM RUNNING FINANCE - SECURED	*18.1*	-	-

18.1 Rs. 450 million (2018: Rs. 675 million) have been arranged from commercial banks under mark-up arrangement. Mark-up charged at the rate ranges from 1 to 3 months KIBOR + 2% to 3%, payable quarterly on the daily outstanding balances. The aggregate short-tern finance is secured against pledge of shares and personal guarantee of Directors.

19. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2019 Rupees	2018 Rupees
Accrued expenses		2,228,048	646,270
Accrued markup / interest		217,683	84,856
Other liabilities	*19.1*	97,705,324	134,733,457
		100,151,056	**135,464,583**

19.1 This includes balance payable to Pakistan Mercantile Exchange (PMEX) Rs. 61,600,585 (Rs. 93,339,085).

20. CONTINGENCIES AND COMMITMENTS

20.1 Guarantees issued by JS Bank Limited of Rs. 40 Million (2018: Rs. 40 Million).

20.2 In year 2018, the income tax authorities have issued Show Cause Notices to various members of the Pakistan Stock Exchange Limited, including the Company, to amend original assessment under section 122(9) read with section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2017. In this regard, the PSX Stock Brokers Association filed Constitution Petition before the Honourable High Court of Sindh at Karachi and the Company became a party with them. The Honourable High Court of Sindh granted stay order in favour of the Petitioners. The management is confident that the eventual outcome of the matter will be decided in favour of the Company, therefore, no provision has been made in this regard.

21. OPERATING REVENUE

	2019 Rupees	2018 Rupees
Brokerage commission	39,082,878	75,684,950
Dividend income	1,257,613	1,509,695
	40,340,491	**77,194,645**

21.1 Share Turnover

	2019	2018
	-------- Turnover in Value -------	
Turnover during the period comprises of the following:		
During the year ended June 30,		
Corporate	11,438,173,075	10,512,481,428
Retail	77,778,339,332	80,905,427,321
Proprietary	74,881,895,232	136,610,795,839
Total	**164,098,407,639**	**228,028,704,588**

22. ADMINISTRATIVE EXPENSES

	Note	2019 Rupees	2018 Rupees
Directors' remuneration		2,255,000	3,600,000
Staff salaries and allowances		33,994,544	33,165,580
Rent, rates and taxes		1,381,930	1,548,336
Communication expenses		102,679	1,082,144
Utilities and telephone expenses		1,113,774	1,449,689
Printing, stationery and computers		434,999	757,585
Donation and charity		400,000	525,000
Travelling and conveyance		2,875,102	771,445
Postage and courier		164,340	181,834
Internet and gateway		1,096,352	2,291,365
Entertainment		983,116	2,659,672
Repair and maintenance		1,788,331	1,745,713
Fees and subscription		3,414,334	3,144,701
Insurance		-	39,000
Auditors' remuneration	*22.1*	375,000	295,000
Advertisement		100,000	100,000
Vehicle maintenance		397,210	350,523
Service and transaction charges		14,396,011	19,719,725
Commission expense		4,875,739	9,273,878
Legal and professional		259,866	299,600
Depreciation	*4 & 7*	4,810,204	3,762,481
Misellenous		69,108	166,367
		75,287,639	**86,929,639**

22.1 Auditors' remuneration

	2019	2018
Audit services		
Annual audit fee	375,000	150,000
Certifications	-	70,000
	375,000	**220,000**
Non-audit services		
Other services	-	75,000
	-	**75,000**
	375,000	**295,000**

23. FINANCIAL CHARGES

	2019	2018
Mark up on short term running finance	1,656,774	2,089,864
Bank charges	648,965	1,261,924
	2,305,739	**3,351,788**

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		2019	2018
24.	**OTHER CHARGES**	**Rupees**	**Rupees**
	Impairment loss	-	2,500,000
	Loss on disposal of fixed assets	-	77,451
		-	**2,577,451**

		2019	2018
25.	**OTHER INCOME**		
	From financial assets		
	Profit on bank deposit	13,112,154	2,584,183
	Profit on MFS Investment	6,416,920	13,439,075
	Profit on deposits against PSX exposure	2,856,725	3,249,164
	Profit on PSX on rentntion money	-	254,329
	Buy back / Delisting Fee	398,243	-
	IPO commission	1,315,358	7,624,018
	Account maintenance charges	666,900	-
	Cost recoveries	7,693,293	17,708,837
	Other commission	1,446	22,301
	Profit on MTS margin	1,714,307	2,522,523
		34,175,346	47,404,430
	From non-financial assets		
	Rental income	3,000,000	4,618,611
		37,175,346	**52,023,041**

		2019	2018
26.	**TAXATION**		
	Current	9,837,505	53,002,142
	Prior tax	(1,750,196)	-
		8,087,309	**53,002,142**

26.1 Relationship between income tax expense and accounting profit

	2019	2018
Income before taxation	**52,024,145**	**70,569,147**
Tax at the applicable tax rate of 29% (2018 : 30%)	15,087,002	21,170,744
Tax effect of income taxed at lower tax rates	(13,998,992)	12,000,274
Tax effect of exempt income	(174,000)	(277,117)
Tax effect of non deductible expenses	11,137,059	20,177,828
Tax effect of amount relating to prior year	(1,750,196)	-
Others	(2,213,564)	(69,587)
	8,087,309	**53,002,142**

		2019	2018
27.	**EARNINGS PER SHARE- BASIC & DILUTED**		
	Profit after taxation	43,936,836	17,567,005
	Weighted average number of shares at the end of the year	26,500,000	25,000,000
		1.66	**0.70**

27.1 Diluted earnings per share

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

28. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTOR

	2019		2018	
	Chief Executive	Director	Chief Executive	Director
Managerial remuneration	1,800,000	455,000	1,800,000	1,800,000
	1,800,000	**455,000**	**1,800,000**	**1,800,000**
Number of persons	**1**	**1**	**1**	**1**

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

	2019			
	At cost	Financial Assets at fair value through profit or loss	Amortized cost	Total
	------------------ Rupees ---------------------			
Financial instruments by category				
Long term investments	22,494,388	-	-	**22,494,388**
Long term loans, advances and deposits	-	-	5,951,000	**5,951,000**
Short term investments	-	93,017,585	-	**93,017,585**
Trade debts - unsecured	-	-	39,581,191	**39,581,191**
Receivables against margin financing	-	-	165,342,668	**165,342,668**
Short term deposits, advances and other receivables	-	-	326,533,982	**326,533,982**
Cash and bank balances	-	-	127,262,008	**127,262,008**
	22,494,388	**93,017,585**	**664,670,849**	**780,182,822**

	2018			
	At cost	Financial Assets at fair value through profit or loss	Amortized cost	Total
	------------------ Rupees ---------------------			
Financial instruments by category				
Long term investments	29,791,989	-	-	**29,791,989**
Long term loans, advances and deposits	-	-	9,751,000	**9,751,000**
Short term investments	-	120,954,945	-	**120,954,945**
Trade debts - unsecured	-	-	17,283,186	**17,283,186**
Receivables against margin financing	-	50,090,917	-	**50,090,917**
Short term deposits, advances and other receivables	-	-	491,410,502	**491,410,502**
Cash and bank balances	-	-	37,029,854	**37,029,854**
	29,791,989	**171,045,862**	**555,474,543**	**756,312,394**

	2019	
	Amortised cost	Total
	------------- Rupees ----------------	
Financial liabilities		
Long term loan	75,000,000	75,000,000
Short term loan	55,000,000	55,000,000
Trade payables	86,945,240	86,945,240
Accrued expenses and other liabilities	100,151,056	100,151,056
	317,096,296	**317,096,296**

	2018	
	Amortised cost	Total
	------------ Rupees --------------	
Financial liabilities		
Long term loan	130,000,000	130,000,000
Trade payables	77,307,031	77,307,031
Accrued expenses and other liabilities	135,464,583	135,464,583
	342,771,614	**342,771,614**

30. FINANCIAL RISK MANAGEMENT

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

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

30.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

(i) Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Company is exposed to such risk mainly in respect of short-term borrowings. Management of the Company estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Company's loss by Nil/- and a 1% decrease would result in a decrease in the Company's loss by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Company does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Equity price risk

Equity price risk is the risk of volatility in share price resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. Management of the Company estimates that a 10% increase in the overall equity prices in the market with all other factors remaining constant would increase the Company's profit by Rs. 12,095,495/- and a 10% decrease would result in a decrease in the Company's profit by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

30.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet comments associated with financial liabilities as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market options due to the dynamic nature of the business. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines available. The following are the contractual maturities of financial liabilities.

	2019					
	Carrying amount	**Contractual cash flows**	**Six month or less**	**Six to twelve months**	**One to two years**	**Two to five years**
	---------- Rupees ----------					
Financial liabilities						
Short term loan	55,000,000	55,000,000	-	55,000,000		
Trade payables	86,945,240	86,945,240	-	86,945,240	-	-
Accrued expenses and other liabilities	100,151,056	100,151,056	-	100,151,056	-	-
	242,096,296	**242,096,296**	-	**242,096,296**	-	-

	2018					
	Carrying amount	**Contractual cash flows**	**Six month or less**	**Six to twelve months**	**One to two years**	**Two to five years**
	---------- Rupees ----------					
Financial liabilities						
Trade payables	77,307,031	77,307,031	-	77,307,031	-	-
Accrued expenses and other liabilities	135,464,583	135,464,583	-	135,464,583	-	-
	212,771,614	**212,771,614**	-	**212,771,614**	-	-

30.3 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.

Exposure to credit risk

Credit risk of the Company arises principally from the trade debts, short term investments, loans and 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 margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies and investment and operational guidelines approved by the Board of Directors. In addition, credit risk is also minimised due to the fact that the Company invests only in high quality financial assets, majority of which have been rated by a reputable rating agency. All transactions are settled / paid for upon delivery. The Company does not expect to incur material credit losses on its financial assets. The maximum exposure to credit risk at the reporting date is follows:

	2019 Rupees	2018 Rupees
Long term investment	22,494,388	29,791,989
Long term advances & deposits	5,951,000	9,751,000
Trade receivables	39,581,191	17,283,186
Receivables against margin financing	165,342,668	50,090,917
Advances, deposits, pre-payments & other receivables	326,533,982	491,410,502
Short term investments	93,017,585	120,954,945
Cash & bank balances	127,262,008	37,029,854
	780,182,822	**756,312,393**

Concentration of credit risk

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

30.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processess, 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 suc as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of 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. This responsibility encompasses the controls in the following areas.

- requirements for appropriate segregation of duties between various functions, roles and responsibility;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

30.5 Fair value of financial assets

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 : Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or

Level 2 : Fair value measurements using 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 : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Fair value of the financial assets that are traded in active markets are based on quoted market prices or dealer prices quotations.

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

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	Rupees			
Short term investments	93,017,585	-	-	93,017,585
Investment in shares of Pakistan Stock Exchange Limited	14,054,638	-	-	14,054,638
Investment in shares of LSE Financial Services Limited	-	-	8,439,750	8,439,750
	107,072,223	**-**	**8,439,750**	**115,511,973**

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	Rupees			
Short term investments	120,954,945	-	-	120,954,945
Investment in shares of Pakistan Stock Exchange Limited	41,161,265	-	-	41,161,265
Investment in shares of LSE Financial Services Limited	-	-	8,439,750	8,439,750
	162,116,210	**-**	**8,439,750**	**170,555,960**

During the year ended June 30, 2019, investment in shares of Pakistan Stock Exchange Limited were transferred from level 3 to level 1 after it's listing.

30.6 Capital management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structure in order to ensure ample availability of finance for its existing operations, for maximizing shareholder's value, for tapping potential investment opportunities and to reduce cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The Company finances its operations through equity, borrowing and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

31. **OPERATING SEGMENT**

These financial statements have been prepared on the basis of a single reportable segment as the Company's asset allocation decisions are based on a single and integrated business strategy.

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

32. **RELATED PARTY TRANSACTIONS**

Related parties comprise of group companies (the parent company, fellow subsidiaries and the subsidiaries). Key management personnel of the Company and directors and their close family members, major shareholders of the Company and staff provident fund. Transaction with related parties are on arm's lenght basis. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Remuneration of the chief executive, directors and executive is disclosed in relevant note to the financial statements. No significant transactions with related parties during the year.

33. **NUMBER OF EMPLOYEES**	**2019**	**2018**
	Number of Employees	
Total employees of the Company at the year end	48	55
Average employees of the Company during the year	52	53

34. **CAPITAL ADEQUACY LEVEL**	**2019 Rupees**	**2018 Rupees**
Total assets	813,293,003	787,328,186
Less: Total liabilities	(317,096,296)	(342,771,614)
Less: Revaluation Reserves (Created upon revaluation of fixed assets)	(5,472,962)	(6,081,069)
Capital Adequacy Level	**490,723,744**	**438,475,503**

34.1 While determining the value of the total assets of the TREC Holder, notional value of the TRE Certificate held by the Company as at June 30, 2019 as determined by Pakistan Stock Exchange has been considered.

35. **AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue by the Board of Directors of the Company on 03 OCT 2019.

36. **GENERAL**

36.1 Figures have been re-arranged and re-classified wherever necessary, for the purpose of better presentation. No major reclassifications were made in these financial statements.

36.2 Figures have been rounded off to the nearest rupee.

Chief Executive Officer **Director**