Rafi Securities (Private) Limited
Financial Statements
For the year ended June 30, 2018

RAFI SECURITIES (PRIVATE) LIMITED

FINANCIAL STATEMENTS

INDEX

Contents	Page No.
Directors' Report	1
Auditor's Report	2 - 5
Statement of Financial Position	6
Statement of Profit or Loss	7
Statement of Comprehensive Income	8
Statement of Cash Flow	9
Statement of Changes in equity	10
Notes to the Accounts	11 to 37

DIRECTORS' REPORT

The Directors take pleasure in presenting their report together with the audited financial statement of the Company for the year June 30, 2018. The working results of the company for the said financial year are given as under:

Financial Results:	Rupees
Operating revenue	10,711,628
Operating expenses	(33,325,270)
Operating loss	**(22,613,642)**
Other charges	-
Other income	2,268,661
Profit before taxation	**(20,344,982)**
Taxation	(5,497,083)
Loss after taxation	**(25,842,065)**

Review of Business

During the year under review the stock market performance was negative and brokerage income declined due low turnover.

Dividend:

The Directors do not recommended any dividend during the year due to cash flow requirement during next financial year.

Future Prospects:

The Directors expect future profitability to be increased due to expected strengthening of market in next year after new political setup.

Loss per Share

Loss per share for the year ended 30th June 2018 was Rs. **(2.58)**

Auditors:

The auditors of the company Nasir Javaid Maqsood Imran Chartered Accountants have retired and offer their services for the ensuing year.

Karachi:
Dated: 25 OCT 2018

Director

Chief Executive

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NASIR JAVAID MAQSOOD IMRAN
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the members of Rafi Securities (Private) Limited

Report on the Audit of the Financial Statements

Opinion

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

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

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

Management is responsible for the other information. The other information comprises the directors' report but does not include the financial statements 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 misstatements, 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 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company`s internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

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

NASIR JAVAID MAQSOOD IMRAN KARACHI CHARTERED ACCOUNTANTS

Nasir Javaid Maqsood Imran

Dated: 25 OCT 2018
Karachi

NASIR JAVAID MAQSOOD IMRAN
Chartered Accountants

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

	Note	Rupees 2018	Rupees 2017
ASSETS			
NON-CURRENT ASSETS			
Property & equipment	4	677,651	754,236
Intangible assets	5	2,873,680	2,895,506
Long term investment	6	21,353,582	41,163,833
Long term advances & deposits	7	4,750,000	4,250,000
		29,654,913	49,063,575
CURRENT ASSETS			
Trade receivables	8	196,543,976	194,221,061
Advances, deposits, pre-payments & other receivables	9	49,049,020	75,889,750
Short term investment	10	158,970,813	138,874,537
Bank balances	11	13,160,227	11,211,316
		417,724,035	420,196,665
TOTAL ASSETS		447,378,948	469,260,240
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized Capital			
10,000,000 (2017: 10,000,000) ordinary shares of Rs. 10/- each		100,000,000	100,000,000
Issued, subscribed and paid-up capital	12	100,000,000	100,000,000
Unappropriated profit		140,660,423	166,502,488
Unrealised gain on revaluation of available for sale investments		17,414,493	35,323,833
		258,074,917	301,826,321
LIABILITIES			
CURRENT LIABILITIES			
Short term borrowings - secured	13	172,537,434	152,007,543
Trade payables		12,908,119	10,939,225
Accrued expenses & other liabilities	14	3,858,478	4,487,151
		189,304,031	167,433,919
CONTINGENCIES AND COMMITMENTS	15	-	-
TOTAL EQUITY AND LIABILITIES		447,378,948	469,260,240

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive **Director**

NASIR JAVAID MAQSOOD IMRAN * CHARTERED ACCOUNTANTS *
Initialled for identification

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

	Note	Rupees 2018	Rupees 2017
REVENUE			
Operating revenue	16	27,947,134	39,182,060
Capital (loss) / gain on sale of securities		(7,765,768)	73,818,586
Gain / (loss) on remeasurement of investments		(9,469,738)	(3,358,524)
		10,711,628	109,642,122
Administrative and operating expenses	17	(21,372,889)	(50,259,254)
Finance cost	18	(11,952,381)	(10,289,339)
		(33,325,270)	(60,548,593)
Operating (loss) / profit		(22,613,642)	49,093,529
Other charges	19	-	(2,500,000)
Other income	20	2,268,661	1,873,690
Profit before taxation		(20,344,982)	48,467,219
Taxation	21	(5,497,083)	(3,115,253)
(Loss) / profit after taxation		(25,842,065)	45,351,966
Loss / earnings per share - basic and diluted	22	(2.58)	4.54

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive **Director**

NASIR JAVAID MAQSOOD IMRAN CHARTERED ACCOUNTANTS
Initialled for identification

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

	Note	Rupees 2018	Rupees 2017
(Loss) / profit after taxation		(25,842,065)	45,351,966
Other comprehensive income			
Unrealised (loss) / gain on revaluation of available for sale investments		(17,909,340)	35,323,833
Total comprehensive (Loss) / income for the year		(43,751,405)	80,675,799

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive

Director

NASIR JAVAID MAQSOOD IMRAN CHARTERED ACCOUNTANTS
Initialled for identification

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

	Note	Rupees 2018	Rupees 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**(20,344,982)**	**48,467,219**
Add / (less) : Items not involved in movement of fund:			
Depreciation		119,585	133,100
Impairment loss		-	2,500,000
Capital loss / (gain) on sale of securities		7,765,768	(73,818,586)
(Gain) / loss on remeasurement of investments		9,469,738	3,358,524
Amortisation on software		21,826	25,678
Finance costs		11,952,381	10,289,339
		29,329,298	(57,511,945)
Net cash generated from / (used in) operating activities before working capital changes		**8,984,317**	**(9,044,726)**
Net change in working capital	(a)	(11,658,063)	29,734,509
		(2,673,746)	**20,689,783**
Finance costs paid		(11,661,693)	(10,289,339)
Taxes paid		(5,516,502)	(10,499,141)
Net cash used in operating activities		**(19,851,941)**	**(98,697)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of motor vehicle		-	100,000
Proceeds from disposal of shares in Pakistan Stock Exchange Limited		-	41,641,320
Acquisition of property and equipment		(43,000)	(59,513)
Long term advances & deposits		(500,000)	(500,000)
Net cash (used in) / generated from investing activities		**(543,000)**	**41,181,807**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flow from financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		**(20,394,941)**	**41,083,110**
Cash and cash equivalent at beginning of the year		(71,995,867)	(113,078,977)
Cash and cash equivalent at end of the year	23	**(92,390,808)**	**(71,995,867)**

(a) Statement of change in working capital

(Increase) / decrease in current assets		
Trade receivables	(2,322,915)	11,409,847
Advances, deposits, pre-payments & other receivables	6,107,952	(3,244,623)
Short term investments	(13,526,593)	(16,362,635)
	(9,741,556)	**(8,197,411)**
Increase / (decrease) in current liabilities		
Short term borrowings	(2,966,040)	40,009,254
Trade payables	1,968,894	(615,286)
Accrued expenses & other liabilities	(919,361)	(1,462,048)
	(1,916,507)	**37,931,920**
Net change in working capital	**(11,658,063)**	**29,734,509**

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive

Director

NASIR JAVAID MAQSOOD IMRAN CHARTERED ACCOUNTANTS
Initialled for identification

RAFI SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Issued, subscribed and paid-up capital	Unappropriated profit	Unrealised gain on revaluation of available for sale investments	Total
	Rupees	*Rupees*	*Rupees*	*Rupees*
Balance as at June 30, 2016	**100,000,000**	**121,150,522**	-	**221,150,522**
Profit after taxation	-	45,351,966	-	**45,351,966**
Unrealised gain on revaluation of available for sale investments	-	-	35,323,833	**35,323,833**
Balance as at June 30, 2017	**100,000,000**	**166,502,488**	**35,323,833**	**301,826,321**
Loss after taxation	-	(25,842,065)	-	**(25,842,065)**
Unrealised gain on transfer to short term investments	-	-	(11,497,859)	**(11,497,859)**
Reversal of unrealised gain on revaluation of available for sale investments	-	-	(6,411,480)	**(6,411,480)**
Balance as at June 30, 2018	**100,000,000**	**140,660,423**	**17,414,493**	**258,074,917**

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive

Director

NASIR JAVAID MAQSOOD IMRAN CHARTERED ACCOUNTANTS
Initialled for identification

RAFI SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

1 CORPORATE AND GENERAL INFORMATION

1.1 Legal status and operations

Rafi Securities (Private) Limited was incorporated vide certificate of incorporation no. K-08348 of 2000-2001 dated 31-05-2001, under Companies Ordinance, 1984. The Company is a corporate member of Pakistan Stock Exchange Limited. The principal activity of the Company includes share brokerage, investment advisory and consultancy services, portfolio management, research, etc., and also to earn profit from purchase/sale of shares of public listed companies. The branch office is situated at:

- Room No. 518, 5th floor, Pakistan Stock Exchange Building, Karachi.

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

During the current year, economic and political scenarios' deterioration had immense adverse effects on the performance of the equity bourse, depressing sentiments in the investment climate and subsequently declined volumes. This is reflected in the statement of Profit or Loss.

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 Change in accounting standards, interpretations and amendments to published approved accounting standards

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant:

- 'IAS 7, 'Statement of Cash Flows' amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. In the first year of adoption, comparative information need not be provided. The relevant disclosure have been made in these financial statements.

- The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual financial statements of the Company. These changes also include change in respect of recognition criteria of revaluation of operating fixed assets, change in nomenclature of primary statements, etc. Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the elimination of duplicative disclosures with the IFRS disclosure requirements and incorporation of significant additional disclosures which have been included in these financial statements.

b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant:

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2017. However, these do not have any significant impact on the Company's financial reporting and therefore have not been detailed in these financial statements.

c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expenses recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property'-effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.

- Annual improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have material impact on Company's financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Constracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- 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 Transaction 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 represneting 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. Management is not expecting any impact of the standard on Company's financial reporting.

- 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 are not likely to have an impact on Company's financial statements.

- 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 increase 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 improvements to standards are not likely to have material / significant impact on Company's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

3.1.1 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.

3.1.2 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.

3.2.1 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.

3.2.2 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.

3.2.3 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

3.5.1 The Company classifies its financial assets in the following categories: at cost, at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquried. Management determines the classification of its financial assets at initial recognition.

a) Investment

All investments are initially recognised at fair value, being the cost of consideration given including transaction cost associated with the investment. All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognised on settlement date basis.

Investment in subsidiary

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in subsidiaries are carried at cost in accordance with IAS-27-'Consolidated and Separate Financial Statements'.

b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquried principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits, other receivables in the balance sheet.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

e) **Held to maturity**

Financial assets with fixed or determinable payments and fixed maturity, where management has intention and ability to hold till maturity are classified as held to maturity.

3.5.2 All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of investments are recognized on trade-date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs except for financial assets at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method.

Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. Investments in associates are accounted for using the equity method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the profit and loss account as a reclassification adjustment. Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit and loss account. Dividends on available-for-sale equity instruments are recognized in the profit and loss account when the Company's right to receive payments is established.

The fair value of quoted equity instruments are based on current market prices. Subsequent to initial measurement equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment in value, if any.

3.5.3 Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

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 recognized at fair value plus directly attributable cost, if any, and subsequently carried at amortized 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 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value. Financial assets are derecognized when the contractual right to the cash flow from the financial assets expires or is transferred. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired. Financial instruments carried on the balance sheet include investments, trade debts and other receivables, loans and advances, cash and bank balances, deposits, borrowings, trade and other payables and accrued and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction on the measurement date.

When available, the Company measures the fair value of an investment using quoted price in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transaction on an arm's length basis.

3.18 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.

3.19 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 - held for trading' 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.

3.20 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.

3.21 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

	Furniture & fixtures	Office equipments	Motor vehicles	Total
	(Rupees)	*(Rupees)*	*(Rupees)*	*(Rupees)*
Net carrying value basis				
Year ended June 30, 2018				
Opening net book value (NBV)	32,559	564,794	156,883	**754,236**
Additions (at cost)	-	43,000	-	**43,000**
Disposals (at NBV)	-	-	-	-
Depreciation charge	(4,884)	(91,169)	(23,532)	**(119,585)**
Closing net book value (NBV)	**27,675**	**516,625**	**133,351**	**677,651**
Gross carrying value basis				
As at June 30, 2018				
Cost	200,426	2,123,542	2,028,627	**4,352,595**
Accumulated depreciation	(172,751)	(1,606,917)	(1,895,276)	**(3,674,944)**
Net book value (NBV)	**27,675**	**516,625**	**133,351**	**677,651**
Net carrying value basis				
Year ended June 30, 2017				
Opening net book value (NBV)	20,305	622,950	284,568	**927,823**
Additions (at cost)	18,000	41,513	-	**59,513**
Disposals (at NBV)	-	-	(100,000)	**(100,000)**
Depreciation charge	(5,746)	(99,669)	(27,685)	**(133,100)**
Closing net book value (NBV)	**32,559**	**564,794**	**156,883**	**754,236**
Gross carrying value basis				
As at June 30, 2017				
Cost	200,426	2,080,542	2,028,627	**4,309,595**
Accumulated depreciation	(167,867)	(1,515,748)	(1,871,744)	**(3,555,359)**
Net book value (NBV)	**32,559**	**564,794**	**156,883**	**754,236**
Depreciation rate (% per annum)	**15**	**15**	**15**	

	Notes	Rupees 2018	Rupees 2017
5 INTANGIBLE ASSETS			
Trading Right Entitlement Certificate - Pakistan Stock Exchange Limited	5.1	2,500,000	5,000,000
Less: Impairment loss on TREC		-	(2,500,000)
		2,500,000	**2,500,000**
Membership card - Pakistan Mercantile Exchange Limited		250,000	250,000
Software	5.2	123,680	145,506
		2,873,680	**2,895,506**

5.1 This represents Trading Right Entitlement Certificate (TREC) received from Pakistan Stock Exchange Limited (PSX) in accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (The Act). The Company has also received shares of PSX after completion of the demutualization process.

5.2 Computer software

Acquisition cost	790,000	790,000
Accumulated balance of amortization	(644,494)	(618,816)
	145,506	**171,184**
Amotization for the year	(21,826)	(25,678)
Net Carrying value	**123,680**	**145,506**

6 LONG TERM INVESTMENTS			
Available for sale - quoted			
Investment in shares of Pakistan Stock Exchange Limited		41,163,833	5,840,000
Transfer to short term investments		(13,398,771)	
		27,765,062	5,840,000
Reversal of unrealised gain on revaluation of shares in PSX		(6,411,480)	35,323,833
	6.1	**21,353,582**	**41,163,833**

6.1 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 in the Central Depository Company of Pakistan Limited (CDC) to restrict the sale of such shares by the members of PSX. In March 2017, the Company disposed off 1,602,953 shares (i-e 40%) under the share purchase agreement between PSX and an Anchor investor and additional 801,477 shares (i-e 20%) under Initial Public Offering in June 2017 at Rs. 28 per share. Further, as per Section 5(2) of Public Offering Regulations, 2017, the Company is required to retain not less than 25% of the total paid up capital for a period of not less than three financial years from the last date for the public subscription. Given the above, the investment to the extent of 1,081,194 shares has been classified as long term investment while the remaining investment in PSX has been classified under short term investment.

	Notes	Rupees 2018	Rupees 2017
7 LONG-TERM ADVANCES AND DEPOSITS			
Pakistan Stock Exchange Limited		200,000	200,000
National Clearing Company of Pakistan Limited		1,200,000	700,000
Central Depository Company Limited		100,000	100,000
Pakistan Mercantile Exchange Limited		750,000	750,000
Advance against office at Pakistan Mercantile Exchange Limited		2,500,000	2,500,000
		4,750,000	**4,250,000**
8 TRADE RECEIVABLES			
Considered good	8.1	195,384,911	194,731,003
Considered doubtful		-	22,013,084
		195,384,911	**216,744,086**
Provision for doubtful debts		-	(22,523,025)
		195,384,911	**194,221,061**
From clearing house		**1,159,065**	
		196,543,976	**194,221,061**

8.1 Trade debts are recognised initially at invoice amount less provision for doubtful debts, if any. The aging analysis for amount receivable from clients for more than five days is as follows.

Amount due from clients for more than 5 days	**157,525,070**	**189,661,780**
Value of listed shares (collateral) after applying haircut on the basis of VAR	**480,389,792**	**637,328,194**
Amount receivable from clients exceeding the collateral held from such customers	-	-

8.2 No provision is required as per sub-clause h (i) of clause 34 of Securities Brokers (Licensing and Operations) Regulations 2016 in the financial statements.

9 ADVANCES, DEPOSITS, PRE-PAYMENTS & OTHER RECEIVABLES			
Security deposits		41,740	41,740
Loan to staff		1,324,559	1,193,959
Exposure deposit	9.1	2,046,220	1,000,000
Advance payment of tax		45,626,939	45,607,521
Other receivables		9,561	2,806,064
Receivables from PSX against disposal of shares		-	25,240,466
		49,049,020	**75,889,750**

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

	Notes	Rupees 2018	Rupees 2017
10 SHORT TERM INVESTMENTS			
Investments at fair values through profit & loss held for trading			
Listed equity securities			
Listed equity securities		168,440,551	142,233,061
Unrealized gain as a result of measurement at market value		(9,469,738)	(3,358,524)
Market value		**158,970,813**	**138,874,537**
11 BANK BALANCES			
Cash at bank			
- in savings accounts	11.1	11,748,537	9,161,629
- in current accounts	11.2	1,411,690	2,049,687
		13,160,227	**11,211,316**

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

Customer assets held in the designated bank accounts	**12,908,119**	**10,939,225**
Customer assets held in the Central Depository Company	**593,818,941**	**846,886,459**
Securities pledged with financial institution	**12,275,547**	**36,685,070**

11.2 The return on these balances is 3.75% to 4.6 (2017: 3.75% to 4.1%) per annum on daily product basis.

12 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number of shares				
2018	2017			
8,000,000	8,000,000	Ordinary shares of Rs. 10 each fully paid in cash	80,000,000	80,000,000
2,000,000	2,000,000	Ordinary shares of Rs. 10 each issued for consideration other than in cash.	20,000,000	20,000,000
10,000,000	**10,000,000**		**100,000,000**	**100,000,000**

	Notes	Rupees 2018	Rupees 2017

12.1 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.

12.2 Shares issued in consideration other than cash was for the purpose of transfer of membership of Pakistan Stock Exchange Limited along with offices and sale points (booths).

13 SHORT TERM BORROWINGS - secured

Short term running finance	13.1	105,551,034	83,207,183
Short term borrowing under Murabaha arrangement	13.2	39,992,510	41,806,470
Soneri Bank Limited	13.3	26,993,890	26,993,890
		172,537,434	152,007,543

13.1 The Company has obtained short term running finance facilities from commercial banks, to meet exposure and working capital requirements, amounting to Rs 193.853 million (2017: 200 Million). These facilites are secured by way of pledge of marketable securities as per financiers approved list of shares and personal guarantees of Chief Execuitive together with mortage over personal properties of the Chief Executive. These facilites carry mark up ranging from 3 months KIBOR plus 250 basis points to 275 basis points (2017 : 3 months KIBOR plus 2.5 % to 2.75 %) payable quarterly.

13.2 This reperesents the outstanding balance availed from shares Murabaha Financing facility amounting to Rs 60 million (2017 : Rs 60 million) from Islamic banks. This facility is secured by way of equitable mortgage on office number 518 located at 5th floor of the Pakistan Stock Exchange Limited building, pledge of regularly traded shariah compliant shares of listed companies in CDC account of the company and personal guarantees of directors of the company. This facility carries markup @ of 3 months of KIBOR plus 2 % (2017: 3 months KIBOR plus 2 %) payable quarterly.

13.3 This represents outstanding principal balance of borrowing obtained from Soneri Bank Limited. The matter is under dispute and litigation before court.

14 ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses	10,521	-
Markup payable	2,305,273	2,014,585
CDC charges payable	-	98,076
Other liabilities	1,542,684	2,374,490
	3,858,478	4,487,151

15 CONTINGENCIES AND COMMITMENTS

a) Contingencies

In respect of cost of funds claimed by Soneri Bank Limited.	13.3	8,823,574	8,823,574

b) Commitments

Guarantee given by Dubai Islamic Bank Limited to Pakistan Stock Exchange Limited on behalf of the Company.		3,000,000	5,000,000

	Notes	Rupees 2018	Rupees 2017
16 OPERATING REVENUE			
Brokerage commission		20,829,791	33,050,044
Dividend income		7,117,343	6,132,016
		27,947,134	**39,182,060**

16.1 Share turnover

Turnover during the period comprises of the following:

	Turnover in Value	Turnover in Value
During the year ended June 30, 2018		
Institution	538,677,311	465,693,701
Retail	22,371,194,661	34,669,972,557
Proprietary	1,395,340	578,018,923
Total	**22,911,267,312**	**35,713,685,181**

17 ADMINISTRATIVE AND OPERATING EXPENSES

Directors' remuneration	17.1	2,310,000	2,685,350
Staff salaries & other benefits		10,043,738	10,155,537
Rent, rate and taxes		1,481,500	1,701,500
Service & transaction charges		1,545,911	2,470,299
Repair and maintenance		209,000	182,917
Utilities		598,813	615,269
Telephone and communication		830,976	732,019
Travelling & conveyance		34,930	50,725
Printing and stationery		225,877	201,505
Computer & software expenses		753,432	1,117,930
Fees and subscription		229,970	242,381
Commission expense		726,626	4,364,136
Postage & courier		128,040	146,481
Entertainment		664,881	632,884
Auditors' remuneration	17.2	180,000	160,000
Donation		222,500	30,545
Legal & professional		43,280	129,800
Bad debts		-	22,523,025
Depreciation		119,585	133,100
Amortisation on software		21,826	25,678
Other expenses		1,002,004	1,958,172
		21,372,889	**50,259,254**

17.1 Remuneration of Chief Executive and Director

	2018		2017	
	Chief Executive	Directors	Chief Executive	Directors
Managerial remuneration	1,400,000	910,000	1,325,000	1,360,350
Company's contribution to the Provident Fund	-	-	-	-
Fees	-	-	-	-
Bonus	-	-	-	-
Housing and utilities	-		-	-
	1,400,000	**910,000**	**1,325,000**	**1,360,350**
Number of persons (including those who worked part of the year)	**1**	**2**	**1**	**2**

17.2 Auditors' remuneration

Audit services		
Annual audit fee	125,000	125,000
Certifications	55,000	35,000
	180,000	**160,000**
Non-audit services		
Other services	-	-
	-	-
	180,000	**160,000**

18 FINANCE COSTS

Bank charges	211,286	316,979
Mark-up on short term borrowings	11,741,095	9,972,361
	11,952,381	**10,289,339**

19 OTHER CHARGES

Impairment loss on TREC	-	2,500,000
	-	**2,500,000**

20 OTHER INCOME

From financial assets		
Profit on PSX retention money	254,328	-
IPO commission	76,912	18,946
	331,240	**18,946**
From non-financial assets		
Recoveries	1,937,420	-
Reversal of Workers' Welfare Fund	-	1,854,744
	1,937,420	**1,854,744**
	2,268,661	**1,873,690**

	Notes	Rupees 2018	Rupees 2017

21 TAXATION

Current	5,497,083	3,115,253
	5,497,083	**3,115,253**

21.1 Relationship between income tax expense and accounting profit

Profit before taxation	**(20,344,982)**	**48,467,219**
Tax at the applicable tax rate of 30% (2017 : 31%)	(6,103,494)	15,024,838
Tax effect of income taxed at lower tax rates	(607,798)	(22,005,807)
Tax effect of exempt income	-	(574,971)
Tax effect of non deductible expenses	9,272,391	8,244,951
Tax effect of minimum tax	95,062	1,385,099
Others	2,840,922	1,041,142
	5,497,083	**3,115,253**

21.2 Income tax returns of the company have been finalized upto and including the tax year 2017, which are deemed to be assessment order under provisions of Income Tax Ordinance 2001.

22 (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

22.1 Basic (loss) / earnings per share

(Loss) / profit after taxation	(25,842,065)	45,351,966
Number of shares issued up to the end of the year	10,000,000	10,000,000
	(2.58)	**4.54**

22.2 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, 2018 which would have any effect on the earnings per share if the option to convert is exercised.

23 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting year as shown in the cash flow statement are reconciled to the related items in the balance sheet as follows:

Short term running finance	(105,551,034)	(83,207,183)
Cash & bank balances	13,160,227	11,211,316
	(92,390,808)	**(71,995,867)**

24 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

24.1 Financial Instruments by category

24.1.1 Financial Assets

	2018				
	At fair value through profit or loss - held for trading	Available for sale	Loans and receivables	Other financial assets	Total
Long term investments	-	21,353,582	-	-	**21,353,582**
Long term loans, advances & deposits	-	-	4,750,000	-	**4,750,000**
Short term investments	158,970,813	-	-	-	**158,970,813**
Trade debts - unsecured	-	-	196,543,976	-	**196,543,976**
Short term deposits & other receivables	-	-	49,049,020	-	**49,049,020**
Cash and bank balances	-	-	-	13,160,227	**13,160,227**
	158,970,813	**21,353,582**	**250,342,996**	**13,160,227**	**443,827,617**

	2017				
	At fair value through profit or loss - held for trading	Available for sale	Loans and receivables	Other Financial assets	Total
Long term investments	-	41,163,833	-	-	**41,163,833**
Long term loans, advances & deposits	-	-	4,250,000	-	**4,250,000**
Short term investments	138,874,537	-	-	-	**138,874,537**
Trade debts - unsecured	-	-	194,221,061	-	**194,221,061**
Short term deposits & other receivables	-	-	75,889,750	-	**75,889,750**
Cash and bank balances	-	-	-	11,211,316	**11,211,316**
	138,874,537	**41,163,833**	**274,360,811**	**11,211,316**	**465,610,498**

24.1.2 Financial Liabilities

	2018		
	Amortised cost	At fair value through profit or loss	Total
Short term borrowings - secured	-	172,537,434	**172,537,434**
Trade payables	-	12,908,119	**12,908,119**
Accrued expenses & other liabilities	-	3,858,478	**3,858,478**
	-	**189,304,031**	**189,304,031**

	2017		
	Amortised cost	At fair value through profit or loss	Total
Short term borrowings - secured	-	152,007,543	**152,007,543**
Trade payables	-	10,939,225	**10,939,225**
Accrued expenses & other liabilities	-	4,487,151	**4,487,151**
	-	**167,433,919**	**167,433,919**

25 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

25.1 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 **Rs. 1,055,510/-** 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. 15,897,081/-** 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.

25.2 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.

	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						
Short term borrowings - secured	172,537,434	172,537,434	172,537,434			
Trade payables	12,908,119	12,908,119	12,908,119			
Accrued expenses & other liabilities	3,858,478	3,858,478	3,858,478	-	-	-
	189,304,031	**189,304,031**	**189,304,031**	-	-	-

	2017					
	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 borrowings - secured	152,007,543	152,007,543	152,007,543			
Trade payables	10,939,225	10,939,225	10,939,225			
Accrued expenses & other liabilities	4,487,151	4,487,151	4,487,151	-	-	-
	167,433,919	**167,433,919**	**167,433,919**	-	-	-

25.3 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:

	Rupees 2018	Rupees 2017
Long term investments	21,353,582	41,163,833
Long term loans, advances & deposits	4,750,000	4,250,000
Short term investments	158,970,813	138,874,537
Trade debts - unsecured	196,543,976	194,221,061
Short term deposits, advances & other receivables	49,049,020	75,889,750
Cash and bank balances	13,160,227	11,211,316
	443,827,617	**465,610,498**

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.

25.4 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.

25.5 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in these financial statements approximate to their fair value. 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 liabilities.

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:

Financial assets at fair value through profit and loss

	2018			
	Level 1	Level 2	Level 3	Total
Listed securities	158,970,813	-	-	158,970,813
	158,970,813	-	-	**158,970,813**
Available for sale				
Investment in shares of Pakistan Stock Exchange Limited	21,353,582	-	-	21,353,582
	21,353,582	-	-	**21,353,582**

Financial assets at fair value through profit and loss

	2017			
	Level 1	Level 2	Level 3	Total
Listed securities	138,874,537	-	-	138,874,537
	138,874,537	-	-	**138,874,537**
Available for sale				
Investment in shares of Pakistan Stock Exchange Limited	41,163,833	-	-	41,163,833
	41,163,833	-	-	**41,163,833**

During the year ended 30 June, 2017, investment in shares of Pakistan Stock Exchange Limited were transferred from level 3 to level 1 after it's listing.

25.6 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.

26 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, 2018 are located in Pakistan.

27 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.

28 NUMBER OF EMPLOYEES

	2018	2017
Total employees of the Company at the year end	26	26
Average employees of the Company during the year	28	29
Employees working in the Company at the year end	26	26
Average employees working in Company factory during the year	28	29

29 PATTERN OF SHAREHOLDING

Number of Shares	Name of shareholders	June 30, 2018 Percentage of Holding
9,671,800	Naeem Rafi	96.718%
328,000	Saima Naeem	3.280%
200	Individuals	0.002%
10,000,000		**100%**

30 CAPITAL ADEQUACY LEVEL

Total Assets		447,378,948
Less: Total Liabilities		(189,304,031)
Less: Revaluation Reserves (Created upon revaluation of Fixed Assets)		-
Capital Adequacy Level	**30.1**	**258,074,917**

30.1 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, 2018, as determined by Pakistan Stock Exchange has been considered.

31 AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company on 25 OCT 2018

32 GENERAL

32.1 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.

32.2 Figures have been rounded off to the nearest rupee.

Chief Executive

Director

NASIR JAVAID MAQSOOD IMRAN CHARTERED ACCOUNTANTS Initialled for identification