ADVISORY • ASSURANCE • TAX

DJM SECURITIES (PRIVATE) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

Now, for tomorrow

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DJM SECURITIES (PRIVATE) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

Basis for Opinion

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

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 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 statement of profit or loss and other 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).

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

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

Baker Tilly Mehmood Idrees Qamar

Karachi

Date: 03 OCT 2019

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

	Note	2019 Rupees	2018 Rupees
ASSETS			
Non - Current Assets			
Property, plant and equipment	4	14,498,408	14,070,400
Intangible assets	5	383,224	397,463
Long term Investment	6	10,811,941	10,811,941
Long term deposits	7	47,369,347	45,879,347
		73,062,920	71,159,151
Current Assets			
Short term investment	8	1,028,566,946	1,788,610,729
Trade debts	9	17,829,528	14,706,154
Advances and other receivables	10	1,529,373	8,993,888
Taxation - net	11	74,445,007	74,158,786
Cash and bank balances	12	13,006,066	17,507,713
		1,135,376,920	1,903,977,270
		1,208,439,840	**1,975,136,421**
SHARE CAPITAL AND RESERVE			
Authorized Share Capital			
25,000,000 Ordinary shares of Rs. 10/- each		**250,000,000**	**250,000,000**
Issued, Subscribed and Paid up Share Capital			
12,500,000 Ordinary shares of Rs. 10/- each	13	125,000,000	125,000,000
Unappropriated profit		529,878,244	1,151,489,506
		654,878,244	1,276,489,506
Current Liabilities			
Short term borrowing	14	499,879,807	598,518,547
Trade and other payables	15	14,988,566	18,124,450
Directors' loan	16	22,577,530	72,577,530
Mark-up payable		16,115,692	9,426,388
		553,561,596	698,646,915
		1,208,439,840	**1,975,136,421**

The annexed notes form an integral part of these financial statements.

Chief Executive Officer

Director

DJM SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Commission income	*17*	20,510,482	25,906,323
Administrative expense	*18*	(35,020,622)	(33,586,402)
Operating (loss)		**(14,510,140)**	**(7,680,079)**
Financial charges	*19*	(53,760,817)	(36,734,748)
Other (loss)	*20*	(143,329,558)	(3,139,540)
Unrealized (loss) on revaluation of investment		(397,843,588)	(46,776,340)
(Loss) before taxation		**(609,444,103)**	**(94,330,707)**
Taxation	*21*	(12,167,159)	(21,890,047)
(Loss) for the year		**(621,611,262)**	**(116,220,754)**
Other comprehensive income / (loss)		-	-
Total comprehensive (loss) for the year		**(621,611,262)**	**(116,220,754)**
(Loss) per share	*22*	(49.73)	(9.30)

The annexed notes form an integral part of these financial statements.

Chief Executive Officer

Director

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

	Issued, subscribed and paid up share capital	Unappropriated profit	Total
	----------	Rupees	----------
Balance as at July 01, 2017	**125,000,000**	**1,267,710,260**	**1,392,710,260**
(Loss) for the year ended June 30, 2018	-	(116,220,754)	(116,220,754)
Other comprehensive income	-	-	-
	-	(116,220,754)	(116,220,754)
Balance as at June 30, 2018	**125,000,000**	**1,151,489,506**	**1,276,489,506**
(Loss) for the year ended June 30, 2019	-	(621,611,262)	(621,611,262)
Other comprehensive income	-	-	-
	-	(621,611,262)	(621,611,262)
Balance as at June 30, 2019	**125,000,000**	**529,878,244**	**654,878,244**

Chief Executive Officer

Director

DJM SECURITIES (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) before taxation		(609,444,103)	(94,330,707)
Adjustments for non cash items and other charges :			
Depreciation		2,368,992	1,973,020
Amortisation		14,239	20,342
Provision for doubtful debts		490,000,000	490,000,000
Appreciation in value of short term investments		397,843,588	46,776,340
Financial charges		53,760,817	36,734,748
		943,987,636	575,504,450
Operating profit before working capital changes		**334,543,533**	**481,173,743**
(Increase) / decrease in current assets			
Short term investment		362,200,195	(454,743,870)
Trade debts		(493,123,374)	(483,626,899)
Advances and other receivables		7,464,515	380,653,927
		(123,458,664)	(557,716,842)
Increase / (decrease) in current liabilities			
Trade and other payables		(3,135,884)	(9,847,882)
Directors' loan		(50,000,000)	28,425,000
Loan and advances		-	(31,999,941)
		(53,135,884)	(13,422,823)
Financial charges paid		(47,071,513)	(33,537,861)
Taxes paid		(12,453,379)	(19,058,802)
Net cash inflow from / (used in) operating activities		**98,424,093**	**(142,562,585)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(2,797,000)	(7,000,000)
Long term investment		-	5,217,589
Net cash (used in) investing activities		**(2,797,000)**	**(1,782,411)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term deposits		(1,490,000)	5,230,578
Net cash (used in) / inflow from financing activities		**(1,490,000)**	**5,230,578**
Net increase / (decrease) in cash and cash equivalents		**94,137,093**	**(139,114,418)**
Cash and cash equivalents at beginning of the year		(581,010,834)	(441,896,416)
Cash and cash equivalents at end of the year	*23*	**(486,873,741)**	**(581,010,834)**

The annexed notes form an integral part of these financial statements.

Chief Executive Officer

Director

1. NATURE OF BUSINESS AND OPERATIONS

D.J.M. Securities (Private) Limited was incorporated on June 17, 2002 under the Companies Ordinance, 1984 as a private limited company registration No. K-08857 of 2001-2002. The registered and principal office of the company is situated at Suit # 203, 2nd Floor, Business and Finance Centre, I.I. Chundrigar Road, Karachi. The principal activity of the company is to carry on the business of stock brokerage, investments advisory, consultancy service underwriting and portfolio management etc.

2. SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING PERIOD

During the year, share price of listed securities significantly revalued which resulted in capital loss on the sale of shares.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- Useful lives, residual values and depreciation method of property, plant and equipment – Note 3.5 & 4
- Useful lives, residual values and amortization method of intangible assets – Note 3.6 & 5
- Provision for doubtful trade receivables – Note 3.8 & 9
- Current income tax expense and provision for current tax - Note 3.13, 11 & 21

3.1 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), provisions of and directives issued under the Companies Act, 2017, relevant requirements of Securities Brokers (Licensing and Operations) Regulations 2016 and section 78 of securities Act, 2015. Where provisions of and directives issued under the Companies Act, 2017, relevant requirements of Securities Brokers (Licensing and Operations) Regulations 2016 and section 78 of securities Act, 2015 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, relevant requirements of Securities Brokers (Licensing and Operations) Regulations 2016 and section 78 of securities Act, 2015 shall prevail.

3.2 Standards, interpretations and amendments applicable to financial

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

3.3 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.

3.4 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.

3.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any identified impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of assets. Depreciation is charged to profit and loss account by applying reducing balance method at rates indicated in notes to the financial statements. Residual value and the useful life of assets are reviewed at least at each financial year-end and adjusted if impact on depreciation is significant.

Full year depreciation is charged on all additions, while no depreciation is charged on fixed assets disposed of during the year. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

Gain or loss arising on the disposal is taken in income in the year of disposal. Maintenance and normal repairs are charged to income as and when incurred. Renewals and improvements are capitalized where it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably.

3.6 Intangible assets

An intangible asset is recognized as an asset if it is probable that the economic benefits attributable to the assets will flow to the company and cost of the asset can be measured reliably. 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. Where the carrying amount exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

3.6.1 Computer software

Expenditure incurred to acquire identifiable computer software and having probable economic benefits exceeding the costs 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 using the rate specified in notes to the financial statements.

3.7 Membership cards

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.

3.8 Trade and other receivables

Trade and other receivables are initially recognized at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at cost as reduced by appropriate provision for trade debts and other receivables considered to be doubtful. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is charged to profit and loss. Trade and other receivables considered irrecoverable are written off.

3.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, balances with banks, highly liquid short term investments that are convertible to known amounts of cash and are subject to insignificant risk of change in value, and short term running finance under mark-up arrangements.

3.10 Provisions

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

3.11 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

3.12 Revenue recognition

Brokerage, consultancy, advisory fee, underwriting, book running fee, commission on foreign exchange dealings and debt securities etc., are recognised as and when such services are provided.

Income from reverse repurchase transactions, debt securities and bank deposits is recognised at effective yield on time proportionate basis.

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

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.

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

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 expense.

3.13 Taxation

Current
The charge of the current year taxation is based on taxable income after considerign the rebates and tax credits available, if any. The company's revenue also falls under final tax regime to the Income Tax Ordinance, 2001.

Deferred
Deferred taxation is recognized using the balance sheet liability method on all major temporary differences arising between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

3.14 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statement when there is a legally enforceable right to set off and the company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

3.15 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include holding company, associated companies with or without common directors, directors and major shareholders and their close family members, key management personnel and staff and retirement benefit funds.

4. PROPERTY, PLANT AND EQUIPMENT

	Office premises	Office equipment	Office furniture	Computer	Generator	Vehicles	Total
	Rupees						
Year ended June 30, 2018							
Opening net book value	1,189,216	311,440	845,538	42,594	12,238	6,642,393	9,043,420
Additions (at cost)	-	-	-	-	-	7,000,000	7,000,000
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	(59,461)	(31,144)	(84,554)	(12,778)	(1,224)	(1,783,859)	(1,973,021)
Net Book Value	**1,129,755**	**280,297**	**760,984**	**29,816**	**11,014**	**11,858,534**	**14,070,400**
As at June 30, 2018							
Cost	2,316,614	1,037,889	3,466,860	1,840,247	39,000	14,814,580	23,515,190
Accumulated depreciation	(1,186,859)	(757,592)	(2,705,876)	(1,810,431)	(27,986)	(2,956,046)	(9,444,790)
Net Book Value	**1,129,755**	**280,297**	**760,984**	**29,816**	**11,014**	**11,858,534**	**14,070,400**
Year ended June 30, 2019							
Opening net book value	1,129,755	280,297	760,984	29,816	11,014	11,858,534	14,070,400
Additions (at cost)	-	-	-	-	-	2,797,000	2,797,000
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	(56,488)	(28,030)	(76,098)	(8,945)	(1,101)	(2,198,330)	(2,368,992)
Net Book Value	**1,073,267**	**252,267**	**684,886**	**20,871**	**9,913**	**12,457,204**	**14,498,408**
As at June 30, 2019							
Cost	2,316,614	1,037,889	3,466,860	1,840,247	39,000	17,611,580	26,312,190
Accumulated depreciation	(1,243,347)	(785,622)	(2,781,974)	(1,819,376)	(29,087)	(5,154,376)	(11,813,782)
Net Book Value	**1,073,267**	**252,267**	**684,886**	**20,871**	**9,913**	**12,457,204**	**14,498,408**
Annual rate depreciation	**5%**	**10%**	**10%**	**30%**	**10%**	**15%**	

5. INTANGIBLE ASSETS

	Note	2019 Rupees	2018 Rupees
Computer software	*5.1*	33,224	47,463
Trading Right Entitlement Certificate (TREC)	*5.2*	100,000	100,000
Membership card	*5.3*	250,000	250,000
		383,224	**397,463**

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5.1 Computer software	Note	2019 Rupees	2018 Rupees
<u>Cost</u>			
Opening value		1,550,000	1,550,000
Addition during the year		-	-
Less: Amortization			
Opening value		1,502,537	1,482,195
Amortization for the year the year		14,239	20,342
Closing value		1,516,776	1,502,537
Written down value (WDV)		**33,224**	**47,463**
Annual rate amortization (%)		**30%**	**30%**

5.2 This represents Trading Right Entitlement Certificate (TREC) received from Pakistan Stock Exchange Limited after the merger of all the three stock exchange of Pakistan in accordance with the requirement of the Stock Exchange (Corporation. Demutualization and Integration) Act, 2012 (The Act).

5.3 This represents Universal Membership at the National Commodity Exchange Limited under the Memorandum and Articles of Association and subject to the Rules and Regulations of the Exchange. Given under the hands and Seal of the Exchange at Karachi on March 31, 2003.

	Note	2019 Rupees	2018 Rupees
6. LONG TERM INVESTMENT - Available for sale			
Investment in Share of Pakistan Stock Exchange Limited		10,811,941	10,811,941
7. LONG TERM DEPOSITS			
Long term deposits	*7.1*	47,369,347	45,879,347
		47,369,347	45,879,347

7.1 Includes non interest bearing deposits under statutory obligations (NCCPL, CDC and PMEX etc.).

	Note	2019 Rupees	2018 Rupees
8. SHORT TERM INVESTMENT - fair value through profit and loss			
Investment in listed securities	*8.1*	1,028,566,946	1,788,610,729
8.1 Gain / (loss) on re-measurement of investment at fair value through profit and loss			
Market value		1,028,566,946	1,788,610,729
Cost of Investment		1,601,824,176	1,964,024,371
Fair value (loss) (unrealized)		(573,257,230)	(175,413,642)
9. TRADE DEBTS			
Trade debts - Considered good		17,829,528	14,706,154
Considered doubtful		490,000,000	490,000,000
		507,829,528	504,706,154
Less: Provision for doubtful debts		(490,000,000)	(490,000,000)
		17,829,528	14,706,154

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10. ADVANCES AND OTHER RECEIVABLES

	Note	2019 Rupees	2018 Rupees
Advance against right issue		-	3,986,400
Receivables from PSX/NCCPL		1,400,405	4,994,139
Other receivables		128,968	13,349
		1,529,373	8,993,888

11. TAXATION - NET

	2019	2018
Opening balance	74,158,786	76,990,031
Add: Paid / deducted during the year	12,453,380	19,058,802
	86,612,166	96,048,833
Less: Provision for taxation		
Current	12,349,461	19,058,414
Prior	(182,302)	2,831,633
	12,167,159	21,890,047
	74,445,007	74,158,786

12. CASH AND BANK BALANCES

	Note	2019	2018
Cash in hand		11,812	5,350
Cash at banks:			
- Current accounts		12,977,634	17,486,898
- Saving accounts	*12.1*	16,620	15,465
		13,006,066	17,507,713

12.1 Mark-up rate on bank profit ranges form 3.82% to 4.08% (2018: 3.82% to 4.08%).

13. SHARE CAPITAL

Authorized Share Capital

Number of Shares 2019	Number of Shares 2018		Note	2019 Rupees	2018 Rupees
25,000,000	25,000,000	Ordinary shares of Rs.10/- each		250,000,000	250,000,000

Issued, Subscribed and Paid-up Share Capital

Number of Shares 2019	Number of Shares 2018		2019 Rupees	2018 Rupees
12,500,000	12,500,000	Ordinary shares of Rs.10/- each fully paid in cash	125,000,000	125,000,000

13.1 Pattern of shareholding

Name of Major Shares Holders	2019 Percentage	2018 Percentage	2019 Number of Shares	2018 Number of Shares
Dawood Jan Muhammad	66%	66%	8,200,000	8,200,000
Muhammad Yaqoob	31%	31%	3,900,000	3,900,000

14.	SHORT TERM BORROWING	Note	2019 Rupees	2018 Rupees
	Bank Al Habib Limited	14.1	499,879,807	598,518,547
			499,879,807	598,518,547

14.1 These borrowings are secured against lien/pledge over Diversified portfolio of listed securities. Mark-up is payable in arrears on a calendar quarterly basis and the KIBOR + 2% per annum shall be revised on a calendar quarterly basis and is calculated as 3 Months Average.

15.	TRADE AND OTHER PAYABLES	Note	2019 Rupees	2018 Rupees
	Trade payables		12,590,196	17,169,750
	Accrued and other liabilities		2,398,370	954,700
			14,988,566	18,124,450
16.	DIRECTORS' LOAN			
	Mr. Dawood Jan Muhammad	*16.1*	-	50,000,000
	Mr. Muhammad Yaqoob	*16.1*	22,577,530	22,577,530
			22,577,530	72,577,530

16.1 This represents unsecured interest free directors' loan to company, payable on demand.

17.	COMMISSION INCOME	Note	2019 Rupees	2018 Rupees
	Brokerage commission	*17.1*	20,510,482	25,906,323
			20,510,482	25,906,323

17.1 Brokerage commission

Gross brokerage commission	23,221,619	29,277,003
Less: Sales tax and FED	(2,711,137)	(3,370,680)
	20,510,482	25,906,323

18.	ADMINISTRATIVE EXPENSE	Note	2019 Rupees	2018 Rupees
	Director remuneration		3,110,000	2,520,000
	Staff salary and benefits		8,872,036	7,038,315
	Utilities		1,669,052	1,948,300
	Auditors' remuneration	*18.1*	240,800	187,000
	Rent, rate and taxes		340,927	977,594
	Entertainment		350,400	291,120
	Printing and stationery		17,000	78,650
	Travelling and conveyance		2,340,869	1,044,620
	Repair and maintenance expense		293,784	242,232
	Fee and subscription charges		5,649,189	7,849,112
	Donation	*18.2 & 18.3*	7,550,000	7,800,000
	Legal and professional charges		15,450	15,450
	Depreciation and amortization	*4 & 5.1*	2,383,231	1,993,361
	Miscellaneous expenses		2,187,884	1,600,648
			35,020,622	33,586,402

18.1 Auditors' Remuneration	Note	2019 Rupees	2018 Rupees
Audit services			
Audit fee		230,000	130,000
Out of pocket expenses		10,800	20,000
Non-audit services			
Certifications for regulatory purposes		-	37,000
		240,800	187,000

18.2 The names of doness to whome donation is equal to or exceeds Rs. 0.5 million are All Pakistan Memon Federation, bantva town memon welfare committee, memon health and education foundation and the indus hospital.

18.3 None of the directors or their spouses had any interest in the donees.

19. FINANCIAL CHARGES

	Note	2019 Rupees	2018 Rupees
Mark-up on bank overdraft		53,539,454	36,452,481
Bank charges		221,363	282,267
		53,760,817	36,734,748

20. OTHER INCOME / (LOSS)

	Note	2019 Rupees	2018 Rupees
Profit on bank saving accounts	*20.1*	261	691
Capital (loss) /gain on sale of investment		(188,722,985)	(53,989,843)
Dividend income		45,393,166	50,849,612
		(143,329,558)	(3,139,540)

20.1 Mark-up rate on bank profit ranges form 3.82% to 4.08% (2018: 3.82% to 4.08%).

21. TAXATION

	2019 Rupees	2018 Rupees
Current	12,349,461	19,058,414
Prior	(182,302)	2,831,633
	12,167,159	21,890,047

22. (LOSS) PER SHARE

	2019 Rupees	2018 Rupees
(Loss) for the year	(621,611,262)	(116,220,754)
Weighted average number of ordinary shares	12,500,000	12,500,000
(Loss) per share	(49.73)	(9.30)

23. CASH AND CASH EQUIVILENT

	2019 Rupees	2018 Rupees
Cash and bank balances	13,006,066	17,507,713
Bank overdraft	(499,879,807)	(598,518,547)
	(486,873,741)	(581,010,834)

24. PLEDGE SECURITIES

	No. of Securities	Value
Pledged to financial institutions on behalf of brokerage house	48,393,700	902,498,525
Pledged to financial institutions on behalf of Clients	793,000	34,334,025

25. CUSTOMERS ASSETS HELD IN CDC

The house holds approx 21.9 million securities of his clients in the clients CDC sub accounts having fair value of Rs. 424.6 Million.

26. REMUNERATION OF DIRECTORS AND CHIEF EXECUTIVE

	CHIEF EXECUTIVE		DIRECTORS	
	2019	2018	2019	2018
	------ Rupees ------			
Managerial remuneration	1,000,000	640,000	1,073,333	1,040,000
House rent allowance	400,000	256,000	429,333	416,000
Utilities	100,000	64,000	107,333	104,000
	1,500,000	960,000	1,609,999	1,560,000
Number of persons	1	1	2	2

27. NUMBER OF EMPLOYEES

The number of employees as at June 30, 2019 were 20 (2018: 20) and average number of employees are 18 and (2018: 18).

28. RELATED PARTY TRANSATIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include holding company, associated companies with or without common directors, directors and major shareholders and their close family members, key management personnel and staff and retirement benefit funds.

Name and relation with the related Party	Percentage Shareholding	Transactions during the year and year end balances	2019 Rupees	2018 Rupees
Dawood Jan Muhammad Director	66%	Vehicle purchase	2,797,000	7,000,000
		Loan provided during the year	-	618,500,000
		Repayment of loan during the year	50,000,000	590,075,000
		Loan payable due at the year end	-	50,000,000
Muhammad Yaqoob Director	31%	Loan Payable due at the year end	22,577,530	22,577,530

29. FINANCIAL ASSETS AND LIABILITIES

	Mark-up bearing			Non-Mark-up bearing			2019
	Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year	Sub-Total	Total
	----------	----------	----------	Rupees	----------	----------	
Financial Assets at fair value through profit or loss							
Short term investment	-	-	-	1,028,566,946	-	1,028,566,946	1,028,566,946
Long term investment	-	-	-	-	10,811,941	10,811,941	10,811,941
At amortized cost							
Long term deposits	-	-	-	-	47,369,347	47,369,347	47,369,347
Trade debts	-	-	-	17,829,528	-	17,829,528	17,829,528
Receivables	-	-	-	1,529,373	-	1,529,373	1,529,373
Cash and bank balances	28,432	-	28,432	12,977,634	-	12,977,634	13,006,066
	28,432	-	**28,432**	**1,060,903,481**	**58,181,288**	**1,119,084,769**	**1,119,113,201**
Financial Liabilities							
At amortised cost							
Short term borrowing	499,879,807	-	499,879,807	-	-	-	499,879,807
Trade and other payables	-	-	-	14,988,566	-	14,988,566	14,988,566
Directors' loan	-	-	-	22,577,530	-	22,577,530	22,577,530
Mark-up payable	16,115,692	-	16,115,692	-	-	-	16,115,692
	515,995,499	-	**515,995,499**	**37,566,096**	-	**37,566,096**	**553,561,595**

	Mark-up bearing			Non-Mark-up bearing			2018
	Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year	Sub-Total	Total
	----------	----------	----------	Rupees	----------	----------	
Financial Assets at fair value through profit or loss							
Short term investment	-	-	-	1,788,610,729	-	1,788,610,729	1,788,610,729
Long term investment	-	-	-	-	10,811,941	10,811,941	10,811,941
At amortized cost							
Long term deposits	-	-	-	-	45,879,347	45,879,347	45,879,347
Trade debts	-	-	-	14,706,154	-	14,706,154	14,706,154
Receivables	-	-	-	8,993,888	-	8,993,888	8,993,888
Cash and bank balances	17,486,898	-	17,486,898	20,815	-	20,815	17,507,713
	17,486,898	-	**17,486,898**	**1,812,331,586**	**56,691,288**	**1,869,022,874**	**1,886,509,773**
Financial Liabilities							
At amortised cost							
Short term borrowing	598,518,547	-	598,518,547	-	-	-	598,518,547
Trade and other payables	-	-	-	18,124,450	-	18,124,450	18,124,450
Directors' loan	-	-	-	72,577,530	-	72,577,530	72,577,530
Mark-up payable	9,426,388	-	9,426,388	-	-	-	9,426,388
	607,944,935	-	**607,944,935**	**90,701,980**	-	**90,701,980**	**698,646,915**

30. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks: market risk (comprising interest rate risk, and other price risk), liquidity risk and credit risk that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

30.1 Market risk

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

- **Interest rate risk exposure**

  Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

  The Company has financial instruments with both fixed and floating interest rates as specifically disclosed in the respective notes. The Company while dealing in financial instruments negotiates attractive interest rates, which reduces the interest rate price risk.

- **Equity price risk**

  Equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. During the year the Company does not have any exposure to equity price risk.

30.2 Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under normal circumstances.

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. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the credit worthiness of the same.

31. CAPITAL RISK MANAGEMENT

The company's prime objective of managing capital is to safeguard the company's ability to continue as a going concern so that it can provide benefits to all stakeholders.

In order to maintain the balance of its capital structure the company may consider injecting further equity or issuing fresh debt. The company monitors its capital on the basis of its gearing ratio. Debt is calculated as total borrowings including both long term and short term borrowings. The gearing ratio as at June 30, 2019 and 2018 was as follows:

	2019 Rupees	2018 Rupees
Total borrowings	499,879,807	598,518,547
Paid up capital	125,000,000	125,000,000
Unappropriated profit	529,878,244	1,151,489,506
	654,878,244	**1,276,489,506**
Gearing ratio	**43%**	**32%**

32. CAPITAL ADEQUACY LEVEL

Total assets	1,208,439,840	1,975,136,421
Less: Total liabilites	(553,561,596)	(698,646,915)
Capital Adequacy Level	654,878,244	1,276,489,506

33. DATE OF AUTHORIZATION

These Financial statements were authorized on 03 OCT 2019 by the Board of Directors of the Company.

34. CORRESPONDING FIGURES

Corresponding figures' have been re-classified, wherever necessary for the purposes of comparison.

35. GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive Officer

Director

About Baker Tilly
Baker Tilly is a full-service accounting and advisory firm that offers industry specialised services in assurance, tax and advisory.

Baker Tilly Mehmood Idrees Qamar, Chartered Accountants trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

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