ZAHID LATIF KHAN SECURITIES

PRIVATE LIMITED

AUDITED FINANCIAL STATEMENTS

AS AT

JUNE 30, 2019

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NASIR JAVAID MAQSOOD IMRAN
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the members of ZAHID LATIF KHAN SECURITIES (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements **ZAHID LATIF KHAN SECURITIES (PRIVATE) LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2019 and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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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 is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

d) the securities broker was in compliance with the requirements of section 78 of the Act and section 62 of the Futures Act, and the relevant requirement of these regulations as at the date on which the balance sheet was prepared.

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

The engagement partner on the audit resulting in this independent auditor's report is Imran Ul Haq.

Place: Islamabad
Date: 04 October 2019

Nasir Javaid Maqsood Imran
Chartered Accountants

M/S ZAHID LATIF KHAN SECURITIES (PVT) LTD
Director's Report
For the Year Ended 30 June 2019

Dear Shareholders on behalf of the Board of Directors I am pleased to present the Annual Report for the financial year ended June 30, 2018, together with the audited financial statements and auditor's report thereon as per accounting, regulatory and legal requirements/standards.

Operating Result

The Loss of the company after tax for the financial year amounted to Rs. 60,906,545.

Review of Operations

A review of the company's operations during the financial year, and the results of those operations are as follows:

	2019 Rupees	2018 Rupees
Revenue	51,369,731	66,975,419
Fair Value Loss on investment remeasurement-FVTPL	(5,151,820)	(11,400,479)
	46,217,912	55,574,940
Direct expenses	(77,099,592)	(85,549,407)
Gross profit	(30,881,680)	(29,974,467)
Operating Expenses	(15,279,378)	(11,891,745)
	(46,161,058)	(41,866,212)
Financial charges	(14,168,433)	(6,744,264)

Other income	237,168	229,645
Loss before taxation	(60,092,323)	(48,380,831)
Taxation	(814,221)	(5,436,860)
Net (loss) after taxation	(60,906,545)	(53,817,691)

The company's operations during the year were as expected in the opinion of the director(s).

Significant Changes in the State of Affairs

No significant changes in the company's state of affairs occurred during the financial year.

Principal Activities

The principal activities of the company during the financial year were:

Brokerage in Trading of Shares on Pakistan Stock Exchange

No change in the nature of these activities occurred during the year

Brokerage in Trading of Commodities on Pakistan Stock Exchange

During the financial year 2017-2018 our Company also becomes a member of Pakistan Mercantile Exchange Limited and started its activities from the month of November 2017.

After Balance Sheet Date Events

No issues or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Environmental Issues

The company's operations are not regulated by any significant environmental regulation under the laws of the country;

Dividends

Dividends paid or declared since the start of the financial year are as follows:

a) There were no dividends paid during the year.

b) There were no dividends or distributions recommended or declared for payment to members during the year that have not been paid or credited to the member throughout the year.

Share Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Auditors

The present auditors of the company M/s Nasir Javaid Maqsood Imran & Co., Chartered Accountants retired and offer themselves for re-appointment for the year ended June 30, 2020. The board has suggested the re-appointment of M/s Nasir Javaid Maqsood Imran & Co., Chartered Accountants as auditors of the company for the ensuing year.

Proceedings of Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company, or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Directors:

AJMAL SULTAN
Director

Dated: 04 October 2019

ZAHID LATIF KHAN SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	11,028,842	12,972,172
Long term deposits	6	1,520,000	1,520,000
Long term investments	7	43,091,363	30,346,030
Intangible assets	8	2,500,000	2,500,000
		58,140,205	47,338,202
CURRENT ASSETS			
Short term investment	9	35,349,910	33,213,338
Trade receivables	10	59,913,107	54,692,195
Advances	11	18,287,563	51,431,563
Deposits and other receivables	12	12,169,842	27,886,106
Cash and bank balances	13	58,003,511	111,028,391
		183,723,933	278,251,594
TOTAL ASSETS		**241,864,138**	**325,589,795**
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	14	55,000,000	55,000,000
Capital reserve:			
Deposit for shares		37,500,000	-
Revenue reserve:			
Unappropriated profit		11,767,434	66,477,749
		104,267,434	121,477,749
NON-CURRENT LIABILITIES			
Long term loan	15	-	38,500,000
CURRENT LIABILITIES			
Trade and other payables	16	66,963,284	130,810,761
Accrued interest	17	2,388,615	1,589,487
Short term bank borrowings	18	67,004,668	27,630,552
Provision for taxation	19	1,240,137	5,581,246
		137,596,705	165,612,046
TOTAL EQUITY AND LIABILITIES		**241,864,138**	**325,589,795**
CONTINGENCIES AND COMMITMENTS	20	-	-

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

CHIEF EXECUTIVE **DIRECTOR**

ZAHID LATIF KHAN SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Revenue	21	51,369,731	66,975,419
Fair Value Loss on investment remeasurement-FVTPL	22	(5,151,820)	(11,400,479)
		46,217,912	55,574,940
Direct expenses	23	(77,099,592)	(85,549,407)
Gross profit		(30,881,680)	(29,974,467)
Operating Expenses	24	(15,279,378)	(11,891,745)
		(46,161,058)	(41,866,212)
Financial charges	25	(14,168,433)	(6,744,264)
Other income	26	237,168	229,645
Loss before taxation		(60,092,323)	(48,380,831)
Taxation	27	(814,221)	(5,436,860)
Net (loss) after taxation		(60,906,545)	(53,817,691)

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

CHIEF EXECUTIVE

DIRECTOR

ZAHID LATIF KHAN SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Net (loss) for the year		(60,906,545)	(53,817,691)
Items that may be reclassified to profit and loss:			
Loss on remeasurement of TREC			
Transferred to TREC value reserve		-	(100,000)
Transferred to unappropriated profit/(loss)		-	(1,500,000)
Items that may not be reclassified to profit or loss:			
Gain on ISE REIT Management shares		12,745,333	-
Other comprehensive gain / (loss)		12,745,333	(1,600,000)
Total comprehensive (loss) / income for the year		(48,161,212)	(55,417,691)

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

CHIEF EXECUTIVE **DIRECTOR**

ZAHID LATIF KHAN SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss before tax		(60,092,323)	(48,380,831)
Adjustments for non-cash and other items:			
Depreciation		1,748,436	1,744,875
Gain on sale of asset		(18,937)	-
Provision for bad debts		1,877,168	-
Unrealized (gain)/loss on short term investment		5,151,820	11,400,479
		8,758,486	13,145,354
		(51,333,837)	(35,235,477)
Working capital changes			
(Increase) / decrease in current assets:			
Short term investment		(7,288,391)	57,579,658
Trade receiveables		(13,647,184)	(7,024,574)
Loans and advances		33,144,000	13,033,289
Deposits, prepayments and other receivables		13,403,557	(614,562)
		25,611,982	62,973,811
Increase / (decrease) in current liabilities		(23,674,233)	(61,380,181)
		(49,396,087)	(33,641,847)
Income tax paid		(2,842,623)	(8,221,763)
Net cash generated from operating activities		(52,238,710)	(41,863,610)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,611,169)	(10,702,769)
Disposal of fixed Asset		1,825,000	-
Net cash (used in) investing activities		213,831	(10,702,769)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan		-	38,500,000
Long term loan repaid		(38,500,000)	
Deposit for shares		37,500,000	-
Net cash inflow from financing activities		(1,000,000)	38,500,000
Net increase / (decrease) in cash and cash equivalents		(53,024,879)	(14,066,378)
Cash and cash equivalents at the beginning of the year		111,028,391	125,094,769
Cash and cash equivalents at the end of the year	13	58,003,511	111,028,391

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

CHIEF EXECUTIVE

DIRECTOR

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

	SHARE CAPITAL	REVENUE RESERVE	CAPITAL RESERVE		TOTAL
		ACCUMULATED PROFIT / (LOSS)	DEPOSIT FOR SHARES	TREC VALUE RESERVE	
	--------------------	--------------------	Rupees	--------------------	
Balance as at July 01, 2017	55,000,000	121,795,440	-	1,000,000	177,795,440
Other comprehensive income / (loss)	-	(1,500,000)	-	(1,000,000)	(2,500,000)
Net (loss) for the year	-	(53,817,691)	-	-	(53,817,691)
Balance as at June 30, 2018 (as previously reported)	55,000,000	66,477,749	-	-	121,477,749
Effect of adoption of new accounting standard (Note 4)	-	(6,549,104)	-	-	(6,549,104)
Balance as at June 30, 2018 (restated)	55,000,000	59,928,645	-	-	114,928,645
Deposit for shares	-	-	37,500,000	-	37,500,000
Total comprehensive loss for the year	-	(48,161,212)	-	-	(48,161,212)
Balance as at June 30, 2019	**55,000,000**	**11,767,434**	**37,500,000**	**-**	**104,267,434**

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

CHIEF EXECUTIVE

DIRECTOR

ZAHID LATIF KHAN SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1 The Company and its operations

The company was incorporated in Pakistan on May 06, 1999 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) as a private limited company. The company is a Trading Right Entitlement Certificate (TREC) holder of Pakistan Stock Exchange Limited and duly registered with the Securities and Exchange Commission of Pakistan (SECP). It started its commercial activities with effect from July 06, 1999.

The main object of the company is to carry on the business of broker in stocks, shares, securities under license or with the foreign permission or approval of any recognized association, authority, stock exchange, or other market in Pakistan or abroad. The registered office of the company is situated at Room No. 624-627, 6th Floor, Stock Exchange Building, Stock Exchange Road, Karachi.

Geographical location of all Branches is:

Branches	Addresses
Corporate Office	412, 4th Floor, ISE Towers, 55-B Jinnah Avenue, Islamabad
Cantt Branch	23-Al Amin Plaza, The Mall, Rawalpindi Cantt
Chaklala Branch	61-C 1st Floor, Aneeq Plaza Street 12, Commercial area Chaklala Scheme-III, Rawalpindi
Abbottabad Branch	Office No. C-5, First Foor, Awan Plaza, Mandian, Abbottabad
City Branch	201, 2nd Floor, Dubai Orakzai Plaza, Murree Road, Rawalpindi
F-11 Branch	Office No. 20, First Floor, Slect One Plaza, Plot No.39, Sector F-11 Markaz, Islamabad
Pindi gheb Branch	Office No.1, Malik Saeed Market, Near Chief Chowk, Pindigheb
Wah Cantt Branch	Office No.2, 1st Floor, Mall View Plaza, The Mall, Wah Cantt
Lahore Branch	Offce No.206, 2nd Floor, 19-Khayaban-e-Aiwan-e-Iqbal, Lahore
Islamabad Branch	408, 4th Floor, ISE Towers, 55-B Jinnah Avenue, Islamabad

2 Basis of preparation of financial statements

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

2.2 Basis of measurement

These accounts have been prepared under the historical cost convention, without any adjustments for the effects of inflation or current values except otherwise statedin relevant policies hereunder;

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the company's financial currency.

2.4 Use of significant estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgment, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value 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 estimates are revised if the revision effects only that period, or in the period of the revision and future periods if the revision effects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.5 New and amended standards and interpretations

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standard IAS 18 Revenue and the related interpretations on revenue recognition.
IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The impact of changes laid down by these standards are detailed in note 4.

3 Summary of significant accounting policies

Significant accounting policies adopted in the preparation of these financial statements are:

3.1 Taxation

The provision for current taxation is based on taxable income at the current rates of taxation. Company provides for the deferred taxation, if any, using the liability method. However no provision is made if it is estimated that this would not reverse in the foreseeable future.

3.2 Property and equipment

i These are stated at cost less accumulated depreciation and impairment losses, if any;

ii Depreciation on operating assets is charged on reducing balance method. A full month's depreciation is charged in the month of addition and no depreciation is charged in the month of disposal;

iii Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized;

iv Gain and losses on disposal of fixed assets, if any, included in profit and loss account currently;

v The Company reviews the useful lives and residual value of its assets on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge.

3.3 Impairment of non-financial assets

Assets that are subject to depreciation/amortization are reviewed at each statement of financial position date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. As impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less cost to sale and value in use. Reversal of impairment loss is restricted to the original costs of the asset.

3.4 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.

3.5 Revenue recognition

Brokerage and commission is recognized as and when such services are provided.
Capital gains or losses on sale of investments are recognized in the year in which they arise.
Dividend income is recognized at the time of book closure of the Company declaring the dividend.

3.6 Trade debts

These are stated at net of provision for doubtful debts. Full provision is made against the debts considered doubtful.

3.7 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks on current account.

3.8 Financial instruments

Initial Recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value, amortised cost or cost as the case may be.

Classification of financial assets:

The Company classifies its financial instruments in the following categories:

- At Fair Value Through Profit or Loss (FVTPL)
- At Fair Value Through Other Comprehensive Income (FVTOCI)
- At Amortized Cost

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that aresolely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Classification of financial liabilities

The Company classifies its financial liabilities in the following categories:

- At Fair Value Through Profit or Loss (FVTPL)
- At Amortized Cost

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Subsequent Measurement

i) Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognised in other comprehensive income / (loss).

ii) Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost, and in the case of financial assets, less any impairment.

iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

Where management has opted to recognise a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income / (loss). Currently, there are no financial liabilities designated at

Impairment of financial asset

The Company recognises loss allowance for Expected Credit Loss (ECL) on financial assets measured at amortised cost and FVTOCI at an amount equal to lifetime ECLs except for the financial assets in which there is no significant increase in credit risk since initial recognition or financial assets which are determined to have low credit risk at the reporting date, in which case 12 months' ECL is recorded. The following were either determined to have low or there was no increase in credit risk since initial recognition as at the reporting date:

- Short term deposits and receivables
- Loan to director
- Receiveable against sale of property
- Bank Balances

Loss allowance for receiveable from clients are always measured at an amount equal to life time ECLs.

Life time ECLs are the ECLs that results from all possible default events over the expected life of a financial instrument. 12 months ECLs are portion of ECL that result from default events that are possible within 12 months after the reporting date.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Company expects to receive).

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Derecognition

i) Financial assets

The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to statement of changes in equity.

ii) Financial liabilities

The Company derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any noncash assets transferred or liabilities assumed, is recognised in the statement of profit or loss and other comprehensive income.

4 Change in accounting policies

IFRS 9 - Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from July 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 3.8 above. In accordance with the transitional provisions in IFRS 9, corresponding figures have not been restated.

Impact of new impairment model

For assets within the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for impairment under IAS 39 as at June 30, 2018	Remeasurement	ECL under IFRS 9 as at July 01, 2018
Provision for bad debts - trade debts	-	6,549,104	6,549,104
	-	6,549,104	6,549,104

IFRS 15 - Revenue from contract with customers

IFRS 15 did not have any impact on the revenue recognition of the company

5 Property and equipment

	Office Building	Furniture and Fixture	Air Conditioners	Office Equipment	Motorcycle	Electronic Equipments	Computers	Generator	Telephone Installation	Motor Vehicle	Total
	Rupees										
Year ended June 30, 2018											
Opening Net Book Value	1,348,088	884,302	194,670	15,704	27,410	358,644	1,033,374	2,201	149,885	-	4,014,277
Additions	7,525,000	444,110	-	-	-	-	519,676	-	13,983	2,200,000	10,702,769
Depreciation Charge	(887,309)	(188,748)	(29,200)	(2,355)	(4,111)	(53,796)	(390,144)	(330)	(23,881)	(165,000)	(1,744,874)
Disposal	-	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-	-	-
Net Book Value	7,985,779	1,139,664	165,470	13,349	23,299	304,848	1,162,906	1,871	139,987	2,035,000	12,972,172
As at June 30, 2018											
Cost	10,100,000	2,098,410	394,107	64,690	167,925	477,885	2,558,886	19,100	225,005	2,200,000	18,306,008
Accumulated depreciation	(2,114,220)	(958,747)	(228,638)	(51,341)	(144,626)	(173,037)	(1,395,980)	(17,229)	(85,018)	(165,000)	(5,333,836)
Net book value	7,985,780	1,139,663	165,469	13,349	23,299	304,848	1,162,906	1,871	139,987	2,035,000	12,972,172
Year ended June 30, 2019											
Opening Net Book Value	7,985,780	1,139,663	165,469	13,349	23,299	304,848	1,162,906	1,871	139,987	2,035,000	12,972,172
Additions	-	684,400	-	23,683	-	295,000	506,469	-	101,617	-	1,611,169
Depreciation Charge	(798,578)	(170,950)	(24,820)	(3,186)	(3,495)	(60,477)	(431,502)	(281)	(26,210)	(228,938)	(1,748,436)
Disposal	-	-	-	-	-	-	-	-	-	(2,200,000)	(2,200,000)
Adjustment	-	-	-	-	-	-	-	-	-	393,938	393,938
Net Book Value	7,187,202	1,653,114	140,648	33,845	19,804	539,371	1,237,873	1,591	215,394	-	11,028,842
As at June 30, 2019											
Cost	10,100,000	2,782,810	394,107	88,373	167,925	772,885	3,065,355	19,100	326,622	-	17,717,177
Accumulated depreciation	(2,912,798)	(1,129,696)	(253,459)	(54,528)	(148,121)	(233,514)	(1,827,482)	(17,509)	(111,228)	-	(6,688,335)
Net book value	7,187,202	1,653,114	140,648	33,845	19,804	539,371	1,237,873	1,591	215,394	-	11,028,842
Rate of depreciation	10%	15%	15%	15%	15%	15%	30%	15%	15%	15%	

		Note	2019 Rupees	2018 Rupees
6	**Long term deposits**			
	Security deposits with:			
	National Clearing Company of Pakistan Limited		1,300,000	1,300,000
	Islamabad Stock Exchange Limited		200,000	200,000
	Mobile phones		20,000	20,000
			1,520,000	1,520,000
7	**Long term investment**			
	ISE REIT Management company Limited	7.1	43,091,363	30,346,030
			43,091,363	30,346,030

7.1 Pursuant to the promulgation of the Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012 (The Act) the ownership in a Stock Exchange has been segregated from the right to trade on the Exchange. Accordingly, the company has received equity shares of ISE and Trading Right Entitlement Certificate (TREC) in lieu of membership card of ISE. The company entitlement in respect of ISE shares is determined on the basis of valuation of assets and liabilities of ISE as approved by SECP and the company has been allotted 3,034,603 shares of the face value of Rs 10/= each. These includes 60% shares of ISE, held in separate CDC blocked account to restrict the sale of these shares by the members whereas stock exchange will dispose off these shares under the provisions of the Act, however the proceeds of these shares and right to dividend/bonus are vested with the company whereas voting rights attached to these shares are suspended.

The company has recorded a surplus of Rs. 30.746 million on conversion of membership card of ISE to shares and TREC in the equity through profit and loss account during the year 2014-2015.

In absence of an active market for these shares, the company has taken has valued them at Rs. 14.2/share, which is the value approved by the Board of Directors of PSX and intimated to SECP for the base minimum capital. This fact indicates an acceptable level of value for ISE REIT shares which is also used by the stock exchange for risk management and to safeguard investors 'interest.

		Note	2019 Rupees	2018 Rupees
8	**Intangible assets**			
	Trading Right Entitlement Certificate (TREC)	8.1	2,500,000	2,500,000
			2,500,000	2,500,000

8.1 In the absence of an active market for TREC, the company has taken the cost of TREC at Rs 2.5 million, which is the value approved by the Board of Directors of ISE and intimated to SECP. This fact indicates an acceptable level of value for TREC which is also used by the Stock Exchange for risk management and to safeguard the investors' interest.

		Note	2019 Rupees	2018 Rupees
9	**Short tem investment**			
	Financial assets at fair value through profit or loss			
	Investment in quoted equity securities	9.1	35,349,910	30,301,278
	Investment in quoted equity securities-MFS	9.2	-	2,912,060
			35,349,910	33,213,338

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9.1 This represent investment in:

2019		2018	
Symbol of Security	**No. of Security**	**Symbol of Security**	**No. of Security**
ALAC	100,000	FCCL	103,000
BAFL	28,930	GTYR	50,000
DGKC	38,000	LOTCHEM	200,000
FCCL	103,500	MUGHAL	5,000
GTYR	85,000	OGDC	4,000
IGIHL	28,000	PAEL	45,000
KAPCO	53,000	PIBTL	25,000
MUGHAL	5,000	POWER	60,000
OGDC	4,000	PRL	15,000
PAEL	45,000	TRG	365,000
PIBTL	75,048	ASTL	2,000
POWER	70,000	MARI	1,000
PPL	23,139	PKGS	2,400
PRL	25,000	PRL	4,000
PSMC	2,000		
SSGC	114,875		
TRG	592,000		

9.2 This represent investment in:

Symbol of Security	No. of Security	Symbol of Security	No. of Security
ASTL	-	ASTL	2,000
MARI	-	MARI	1,000
PKGS	-	PKGS	2,400
PRL	-	PRL	4,000

		Note	2019 Rupees	2018 Rupees
10	**Trade receivables**			
	Trade debts		68,339,378	54,692,195
	Less: Provision for bad debts	10.1	(8,426,272)	-
			59,913,107	54,692,195
10.1	**Movement in provision for bad debts**			
	Balance at begiing of he year		-	-
	Add: Effect of application of IFRS 9		6,549,104	-
	Balance at beginning of the year (restated)		6,549,104	-
	Charged during the year		1,877,168	-
	Balance at end of year		8,426,272	-
11	**Advances**			
	Advances - unsecured & considered good			
	To staff against salary		7,234,795	7,598,475
	Provision for doubtful debt		-	(219,680)
	Advance for Purchases of building		11,052,768	44,052,768
			18,287,563	51,431,563

		Note	2019 Rupees	2018 Rupees
12	**Deposits and other receivables**			
	Deposits			
	Withholding income taxes	12.1	8,870,572	11,183,278
	Security deposit - Office premises		310,000	270,000
	Security deposit - Pakistan Stock Exchange Limited		-	7,000,000
	Security deposit - Central Depository Company of Pakistan		75,000	75,000
	Security deposit - Pakistan Mercantile Exchange		750,000	750,000
	Clearing Deposit with PMEX		660,186	637,454
	Advance for office renovation		-	1,350,000
			10,665,757	21,265,731
	Other receivables			
	Due from National Clearing Company of Pakistan Limited		1,493,155	6,605,565
	Other receivable		10,930	14,810
			1,504,085	6,620,375
			12,169,842	27,886,106
12.1	Opening withholding tax		11,183,278	13,793,982
	Adjusted during the year		(5,155,330)	(7,920,125)
	(Paid)/ withheld during the year		2,842,623	5,309,421
			8,870,572	11,183,278
13	**Cash and bank balances**			
	Cash in hand		1,923,796	951,864
	Cash at bank - current accounts		56,079,715	110,076,527
			58,003,511	111,028,391
14	**Share capital and reserves**			
	Authorized:			
	1,100,000 ordinary shares of Rs. 100/= each		110,000,000	110,000,000
	Issued, subscribed and paid up:			
	550,000 ordinary shares of Rs. 100/= each		55,000,000	55,000,000
			55,000,000	55,000,000
15	**Long Term Loan**			
	MCB Bank Limited		-	55,000,000
	Loan Refund		-	(5,500,000)
	Current maturity		-	(11,000,000)
			-	38,500,000

Loan has been obtained to finance receivables of the Company.
Original Principal : Rs. 55,000,000/-
Repayment : 20 installments of Rs.2,750,000/- each.
Loan term : 5 Years
Annual Mark-up rate : 3 MK+2.75%

Collateral (MCB)

- Personal guarantees of directors covering aggregate exposure must be held.
- Token registered mortgage of Rs. 0.100 Mn and rest against equitable mortgage of residential property bearing plot No.13, Sector C, Phase-I, admeasuring 1533.02 sq.Yds (Inclusive of additional Land admeasuring 533.02 Sq. Yds) situated at Defence Housing Authority Islamabad Owned by Zahid Latif Khan valuing Rs.68.761M (FSV: Rs.58.446M) as per valuation report of M/s Empire enterprises dated 25.01.2017.

		Note	2019 Rupees	2018 Rupees
16	**Accrued and other liabilities**			
	Trade payables		58,298,591	122,250,517
	Other Liabilities		1,195	135,743
	Sales tax payable		173,495	242,813
	FED payable		119,555	195,411
	Commission payable		1,319,395	1,321,806
	Audit fee payable		200,000	150,000
	Accrued Expenses		505,356	449,729
	PSX Taxes and charges		9,984	32,969
	Withholding Tax Payable		77,421	378,812
	Unclaimed dividend		6,258,294	5,652,962
			66,963,284	130,810,761
17	**Accrued interest**			
	MCB Bank Limited		1,896,281	1,208,278
	JS bank		492,334	381,209
			2,388,615	1,589,487
18	**Short term bank borrowings**			
	Muslim Commercial Bank Limited		54,792,954	2,939,166
	JS bank Limited		12,211,714	13,691,385
	Currerent Maturity of Long Term Loan		-	11,000,000
			67,004,668	27,630,552

The facility with MCB Bank Limited is available to the tune of Rs. 10 million (2018 : 10 million) against the running finance - 1

RF - I & II	TPMR (3 Months Kibor + 2.75% p.a.) SMR (TPMR + 5%) (whichever is higher)

These facilities are secured by way of:
Running Finance - I

- Personal guarantees of all the directors covering the entire exposure;
- Pledge of activity traded shares in marketable lots (trading at not less than par value) of eligible listed companies registered with CDC as per MCB's eligible list for financing against shares.

The facility with JS Bank is available to the tune of Rs. 50 million against JS bank RF at the markup of 3 months Kibor + 400

These facilities are secured by way of:

- Pledge of shares with minimum 35% margin on shares to be governed by the JSBL list duly approved by BRMC of JSBL. The shares will be pledged and held under CDC subaccount with JSBL.
- Personal guarantees of the directors along with PNWS.

JSBL facilities will expire on June 30, 2020

		2019	2018
19	**Provision for Taxation**		
	Opening provision	5,581,246	8,366,149
	Tax expense during the year	814,221	5,436,860
	Adjusted against advance tax	(5,155,330)	(8,221,763)
	Closing provision	1,240,137	5,581,246

20 Contingencies and commitments

Contingencies:

In previous years, RTO Karachi created demand of Rs. 5,555,749 under section 161/205 of the income tax ordinance related to tax year 2011 to 2015. The company has deposited 25% of demand and is hopeful that the case will be decided in the favour of company.

Commitments:

Currently there are no commitments against the company in foreseeable future.

	Note	2019 Rupees	2018 Rupees
21 Revenue			
Commision income		48,198,127	63,929,785
Dividend		986,290	1,787,797
IPO commission		15,378	32,999
Commodity Brokerage		1,418,240	836,504
Profit on Margin Deposit		751,697	388,334
		51,369,731	66,975,419
22 Unrealized gain on remeasurement of investments at fair value - through profit or loss			
Market value of investment in shares		35,349,910	30,301,278
Less: Cost of investment		(40,501,730)	(41,701,757)
		(5,151,820)	(11,400,479)
23 Direct Expenses			
Staff salaries and benefits		19,313,428	16,130,523
Doubtful debts		-	219,680
Commission		27,533,394	38,868,186
Directors' remuneration		2,071,670	1,868,160
Central Depository Company expense		2,872,229	2,932,942
ISEL/LSEL/NCCPL trading fee		2,141,686	2,938,524
Depreciation		1,748,436	1,744,874
Capital loss		20,269,357	19,414,306
Utilities - Internet		548,205	376,290
Utilities - Telephone		601,187	1,055,922
		77,099,592	85,549,407
24 Operating expenses			
Utilities - Other		2,544,406	1,720,591
Rents, Rates & Taxes		6,031,238	5,386,906
Entertainment		1,361,897	1,328,256
Fee and subscription		808,066	1,042,565
Miscellaneous		247,609	545,608
Printing and stationary		383,527	421,601
Postage and telegram		156,705	163,583
Travelling & Conveyance		135,762	101,767
Office repair and maintenance		259,091	303,488
Audit fee		200,000	150,000
Software expenses		412,350	77,966
Newspapers and periodicals		65,797	59,815
Legal and professional charges		15,000	-
Vehicle running and maintenance		411,614	511,660
Donations		183,000	-
Insurance		186,148	62,939
Advertisement		-	15,000
Provision for bad debts		1,877,168	-
		15,279,378	11,891,745

		Note	2019 Rupees	2018 Rupees
25	**Financial charges**			
	Markup on running finance facility		13,871,825	6,626,171
	Bank charges		296,608	118,093
			14,168,433	6,744,264
26	**Other income**			
	Profit on clearing Deposit		-	3,914
	M.up on MFS		218,231	225,731
	Gain on disposal		18,937	-
			237,168	229,645
27	**Taxation**			
	Current tax		782,355	5,123,464
	Prior year		31,866	313,396
			814,221	5,436,860

27.1 The Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. Further, provision against income from other sources is made under the relevant provisions of the Income Tax Ordinance, 2001.

27.2 Reconcilliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of presumptive taxation.

28 Financial instruments and related disclosures

28.1 Financial assets as per statement of financial position

	At Ammortized Cost		At Fair Value Through Profit & Loss		At Fair Value Through Other Comprehensive Income	
	2019	2018	2019	2018	2019	2018
Long term deposits	1,520,000	1,520,000	-	-	-	-
Short term investment	-	-	35,349,910	33,213,338	-	-
Long term investments	-	-	-	-	43,091,363	30,346,030
Trade debts	59,913,107	54,692,195	-	-	-	-
Deposits, prepayments and other receivables	3,299,271	16,702,828	-	-	-	-
Cash and bank balances	58,003,511	111,028,391	-	-	-	-
Loans and advances	18,287,563	51,431,563	-	-	-	-
	141,023,452	235,374,977	35,349,910	33,213,338	43,091,363	30,346,030

28.2 Financial liabilities as per statement of financial position

	At Ammortized Cost		At Fair Value Through Profit & Loss		At Fair Value Through Profit & Loss	
	2019	2018	2019	2018	2019	2018
Trade payables	58,298,591	122,250,517	-	-	-	-
Short term bank borrowings	67,004,668	27,630,552	-	-	-	-
Accrued and other liabilities	4,795,015	4,496,769	-	-	-	-
Provision for taxation	1,240,137	5,581,246	-	-	-	-
	131,338,411	159,959,084	-	-	-	-

28.3 Financial risk management objectives and policies

The companies activities expose it to a variety of financial risk: capital risk , credit risk, liquidity risk and market risk (including foreign exchange or currency risk, interest/markup rate risk and price risk). The company's overall risk management program focuses on the unpredictability of financial market and seeks to minimize potential adverse effects on financial performance. Overall, risk arising from the company's financial assets and liabilities are limited.

a) Capital risk management

The company's policy is to maintain a strong capital base so as to maintain investor, credit and market confidence and to sustain future development of the business. Additionally, to safeguard the companies ability to continue as a going concern in order to provide returns to share holders and benefit for others stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There were no changes to the company's approach to capital management during the year and the company is not subject to externally imposed capital requirements.

b) Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. All financial assets except cash in hand, are subject to credit risk. The company believes that it is not exposed to major concentration of credit risk.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and ability to close out market positions due to dynamic nature of the business. The company finances its operations through equity borrowing and the management of working capital with a view to maintain an appropriate mix between various source of finance to minimize risk. The company's treasury aims at maintaining flexibility in funding by keeping regular committed credit lines. Management closely monitors the company's

d) Market risk

Market risk means that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks; foreign exchange or currency risk , interest/mark - up rate risk and price risk. . The market risk associated with the company's business activities are discussed as under.

- **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Currently, the company is not exposed to Currency Risk.

- **Interest mark-up rate risk**

Interest/mark-up rate risk is the risk that the value of financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest/mark-up rates arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

Sensitivity analysis:

If interest rates at the balance sheet date, fluctuate by 1% higher / lower with all other variables held constant, profit before taxation for the year would have been Rs. 670,047/- million (2018: Rs.546,290/-) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. The analysis is prepared assuming the amounting of liabilities outstanding at statement of financial position dates were outstanding for the whole year.

- **Price risk**
  Price risk represents the risk that fair value of future cash flow of financial instrument will fluctuate because of changes in market price (other than those arising from interest mark - up rate risk of 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 trade in the market. The company is exposed to equity price risk but associated risk is minimal.

  Sensitivity analysis

  At June 30, 2019 if the price had decreased/increased by 5% against with all other variable held constant, profit for the year would have been lower/higher by Rs.1,767,496/- (2018: Rs. 1,060,545/-) mainly as a result of price variations.

- **Fair value of the financial instruments**
  Fair value is the amount for which an asset can be exchanged, or liability can be settled, between knowledgeable willing parties in an arm's length transactions. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair value.

		Note	2019 Rupees	2018 Rupees
29	**Capital Adequacy Level**			
	Total Assets		241,864,138	325,589,795
	Less: Total Liabilities		(137,596,705)	(204,112,046)
	Less: Revalation reserves (created upon revaluation of fixed assets)		-	-
			104,267,434	121,477,749

Note:-

While determining the Value of total assets of the TREC Holder, Notional Value of the TRE Certificate held by the Zahid Latif Khan Securities (Pvt.) Ltd as at year ended June 30, 2019 as determined by Pakistan Stock Exchange has been considered.

30	**Information required by regulation 34 of Securities Broker Regulations 2016**	**2019**	**2018**
a)	Customer shares in the central depository system	107,397,986	88,974,291
	Customer's cash in bank account - PKR	55,632,859	117,747,759
b)	Securities pledged with financial institutions-customer	-	-
	Securities pledged with financial institutions-house	1,015,000	657,500
c)	Income from dividends	986,290	1,787,797
d)	Pattern of shares:		
	Zahid Latif Khan (CEO/Director)	549,000	549,000
	Ajmal Sultan (Director)	500	500
	Muhammad Atif Khan (Director)	500	500
	Total no of shares	550,000	550,000
e)	Changes in shareholding	NIL	NIL
f)	Trade and other receivables are stated at estimated realisable value after each debt has been considered individually. Where the payment of a debt becomes doubtful a provision is made and charged to the income statement.		
g)	Aging analysis of amount due from customers		
	Due not more than 5 days - PKR	2,661,736	3,261,457
	Due more than 5 days - PKR	62,155,740	47,116,390

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31 Remuneration of Chief Executive Officer and Director

	2019		2018	
	Chief Executive	Director	Chief Executive	Director
	Rupees			
Managerial remuneration	-	2,071,670	-	1,601,280
Bonus	-	-	-	266,880
Commission	27,533,394	-	36,700,521	-
	27,533,394	**2,071,670**	**36,700,521**	**1,868,160**
Number of person	**1**	**2**	**1**	**2**

32 Number of employees

	2019	2018
At year end	47	44
Average	47	44

33 Date of authorization for issue

These financial statements were authorized for issue on october,4,2019 by the Board of Directors of the Company.

34 General

Figures have been rounded off to the nearest rupee

CHIEF EXECUTIVE

DIRECTOR