



Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

LIMITED

Audited Financial Statements
For the Year ended
June 30, 2018



Rahman Sarfarz Rahim Iqbal Rafiq
Chartered Accountants

**SHERMAN SECURITIES (PRIVATE)
LIMITED**

Audited Financial Statements
For the Year ended
June 30, 2018



INDEPENDENT AUDITORS' REPORT

To the members of Sherman Securities (Private) Limited

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

(Signature)

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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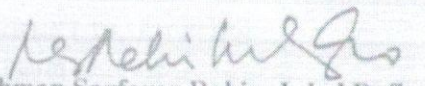
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Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980);
- e) the Company was in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licencing and Operations) Regulations, 2016 as at the date on which the balance sheet was prepared.

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


Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Karachi

Date: 27 SEP 2018

SHERMAN SECURITIES (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

FOR THE YEAR ENDING JUNE 30, 2018

		June 30, 2018	(Restated) June 30, 2017	(Restated) July 01, 2016
ASSETS	<i>Note</i>	Rupees		
NON CURRENT ASSETS				
Property and equipment	5	28,448,296	34,153,955	10,635,297
Intangible assets	6	4,347,022	8,050,735	6,991,957
Long term investment	7	21,353,582	10,290,952	16,008,043
Long term deposits	8	4,200,000	4,200,000	3,750,000
		58,348,900	56,695,642	37,385,297
CURRENT ASSETS				
Trade debts	9	23,716,260	15,484,072	283,989,951
Short term Investments	10	1,381,499,570	1,255,863,214	1,210,301,984
Advances, deposits, prepayments and other receivables	11	43,258,568	86,669,896	27,119,188
Tax refundable due	12	70,533,862	70,206,897	44,370,912
Derivative	13	5,224,285	13,335,385	1,179,550
Cash and bank balances	14	109,382,379	185,677,286	56,703,419
		1,633,614,924	1,627,236,750	1,623,665,004
		1,691,963,824	1,683,932,392	1,661,050,301
CAPITAL AND LIABILITIES				
Authorized capital 1,500,000 (2017: 1,500,000) ordinary shares of Rs. 100/ each		150,000,000	150,000,000	150,000,000
Issued, subscribed and paid up capital 1,200,000 (2017: 1,200,000) ordinary shares of Rs. 100/- each fully paid in cash		120,000,000	120,000,000	120,000,000
Unappropriated profit (Deficit) / surplus in Revaluation of Investments		1,029,512,065 (111,656,847)	945,228,463 4,776,005	661,427,155 94,711,664
		1,037,855,218	1,070,004,468	876,138,819
NON CURRENT LIABILITIES				
Deferred Taxation	15	-	6,949,824	13,894,325
CURRENT LIABILITIES				
Short term borrowings - secured	16	398,594,297	336,456,505	554,823,655
Trade and other payables	17	116,909,370	161,354,504	59,380,340
Murabaha Financing	18	134,674,567	101,068,593	146,554,186
Accrued Markup	19	3,930,372	8,098,498	10,258,976
		654,108,606	606,978,100	771,017,157
Contingencies and commitments	20			
		1,691,963,824	1,683,932,392	1,661,050,301

The annexed notes from 1 to 35 form an integral part of these financial statements

CHIEF EXECUTIVE

DIRECTOR

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

		2018	(Restated) 2017
	Note	Rupees	
Operating revenue	21	29,951,134	62,341,756
Gain on Derivative	22	5,224,285	19,059,007
Capital gain on sale of investment	23	129,371,716	362,381,879
		164,547,135	443,782,642
Operating Expenses			
Administrative and general expenses	24	(81,149,926)	(87,039,368)
Financial charges	25	(45,204,695)	(47,256,213)
		(126,354,621)	(134,295,581)
Other income	26	66,240,126	39,268,618
Profit before taxation		104,432,639	348,755,679
Taxation	27	(20,149,037)	(64,954,371)
Profit after taxation		84,283,602	283,801,308

The annexed notes from 1 to 35 form an integral part of these financial statements

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CHIEF EXECUTIVE



DIRECTOR

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

	Note	(Restated)	
		2018	2017
		Rupees	
Profit after taxation		84,283,602	283,801,308
Deficit on revaluation of investments		(117,275,676)	(105,806,658)
Related reversal of deferred tax due to revaluation deficit on Investment available for sale		842,824	15,870,999
Net deficit on revaluation of investments		(116,432,852)	(89,935,659)
Total comprehensive (loss) / income for the year		(32,992,074)	177,994,650

The annexed notes from 1 to 35 form an integral part of these financial statements

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 CHIEF EXECUTIVE



 DIRECTOR

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

	Share Capital	Unappropriated Profit	Surplus/(Deficit) in Revaluation of Investment	Total
	Rupees			
Balance as at July 01, 2016 (as previously reported)	120,000,000	311,852,050	403,375,518	835,227,568
Effect of correction of prior period error (Note 35.1)	-	349,575,105	(308,663,854)	40,911,251
Balance as at July 01, 2016 (restated)	120,000,000	661,427,155	94,711,664	876,138,819
Profit after tax for the year the year-(restated)	-	283,801,308	-	283,801,308
Net Deficit in Revaluation of Investment during the year- (restated)		-	(89,935,659)	(89,935,659)
Balance as at June 30, 2017 (restated)	120,000,000	945,228,463	4,776,005	1,070,004,468
Balance as at July 1, 2017 (restated)	120,000,000	945,228,463	4,776,005	1,070,004,468
Profit after tax for the year the year	-	84,283,602	-	84,283,602
Net Deficit in Revaluation of Investment during the year	-	-	(116,432,852)	(116,432,852)
Balance as at June 30, 2018	120,000,000	1,029,512,065	(111,656,847)	1,037,855,218

The annexed notes from 1 to 35 form an integral part of these financial statements

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CHIEF EXECUTIVE


DIRECTOR

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

(Restated)
2017

2018

Rupees

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	104,432,639	348,755,679
Adjustment for:		
Depreciation	6,538,582	5,068,216
Gain on sale of securities-net	(129,371,716)	(362,381,879)
Gain on disposal of fixed asset	(912,128)	-
Financial charges	45,204,695	47,256,213
Amortization	211,756	264,695
Provision for impairment	6,711,162	628,682
	<u>(71,617,649)</u>	<u>(309,164,073)</u>
Operating profit before working capital changes	32,814,990	39,591,606
Effect on cash flows due to working capital changes (Increase) / decrease in Current Assets		
Trade debts	(8,232,188)	267,928,547
Advance, prepayments & other receivables	43,411,328	(59,550,708)
Derivates	8,111,100	(12,155,835)
	<u>43,290,240</u>	<u>196,222,004</u>
Increase / (decrease) in Current Liabilities		
Creditors, accrued and other liabilities	(44,445,134)	101,974,164
	<u>(1,154,894)</u>	<u>298,196,166</u>
Mark-up paid on short term borrowings	(40,904,161)	(42,976,665)
Income tax paid	(26,583,002)	(81,863,857)
Net cash (used in) / generated from operating activities	<u>(35,827,067)</u>	<u>212,947,252</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net Investment in securities-net of Un realized gain	(127,822,151)	216,679,730
Purchase of property and equipments	(7,620,795)	(28,586,873)
Proceeds from sales of property and equipments	7,700,000	-
Addition in intangibles assets	-	(1,323,473)
Long term deposits-net	-	(450,000)
Net cash (used in) / generated from investing activities	<u>(127,742,946)</u>	<u>186,319,384</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal of Murabaha Financing obtained	269,430,426	162,120,260
Principal plus unwinding of Muraba repaid	(244,293,112)	(214,045,879)
Net cash generated from / (used in) financing activities	<u>25,137,314</u>	<u>(51,925,619)</u>
Net (decrease) / increase in cash and cash equivalent during the year	(138,432,699)	347,341,017
Cash and cash equivalent at the beginning of the year	(150,779,219)	(498,120,236)
Cash and cash equivalent at the end of the year	<u>(289,211,918)</u>	<u>(150,779,219)</u>

Cash and cash equivalent at the end of the year comprises of the following:

Short term borrowings	(398,594,297)	(336,456,505)
Cash and bank balances	109,382,379	185,677,286
	<u>(289,211,918)</u>	<u>(150,779,219)</u>

The annexed notes from 1 to 35 form an integral part of these financial statements


CHIEF EXECUTIVE

SHERMAN SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1 STATUS AND NATURE OF BUSINESS

The Sherman Securities (Private) Limited (the "Company") was incorporated in Pakistan on July 15, 2002 as a private limited company under the repealed Companies Ordinance, 1984 (the "Ordinance") which has now been replaced by Companies Act, 2017. The principal activities of the company are to carry on the business of share brokerage, underwriting of public issues, investment in public securities and portfolio management.

The Company is corporate member of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange). The registered office of the company is located at room no. 501 and 502 5th Floor Continental Trade Centre, G/ 6 Block 8, main Clifton Road Karachi.

2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

During the current year, the economic and political scenarios' deterioration had immense adverse effects on the performance of the equity bourse. As a result of depressing sentiments in the investment climate and subsequently denting volumes, our short term investment portfolio yielded meager profits as reflected in statement of Profit or Loss.

3 BASIS OF PREPARATION

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:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for investment held at AFS measured at fair value.

3.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency, unless otherwise stated.

3.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved financial reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.5 Amendments / interpretation to existing standard and forthcoming requirements

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

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- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

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

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Correction of prior period errors

International Accounting Standard (IAS) 39 'Financial Instrument' requires any fair value changes on AFS investments are recognised directly in equity, through the statement of changes in equity. The cumulative gain or loss that was recognised in equity is recognised in profit or loss when an available-for-sale investment is derecognised. However, such surplus was not derecognised in equity and accordingly deferred tax related to that surplus was also not derecognized. The correction of the aforesaid errors has been accounted for retrospectively in accordance with the requirements of International Accounting Standard (IAS) 8 Accounting Policies, Changes in Accounting Estimates and Errors and the corresponding figures have been restated as necessary. Further, in accordance with the requirements of IAS 1 Presentation of Financial Statements, a balance sheet as at the beginning of the earliest period presented (i.e. as of July 01, 2016) has also been included.

In addition to the above error Gain on derivatives is also erroneously recorded in profit or loss as Rs. 4,383,548 instead of Rs. 19,059,007 the difference amounted to Rs 14,675,459 was erroneously recorded in Surplus in revaluation of investment, correction has been made to rectify the error in these financial statements in accordance with the requirements of International Accounting Standard (IAS) 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The retrospective correction of the above errors has the effects on these financial statements as follows:

Effects on the balance sheet	June 30, 2017	July 01, 2016
<i>Effects on Equity and Liabilities</i>		
Decrease in deferred tax liability	38,942,576	40,911,251
Increase in unappropriated profit	364,250,564	349,575,105
Decrease in Surplus/(Deficit) in Revaluation of Investment	325,307,987	308,663,854
Effects on the statement of comprehensive income for the year ended June 30, 2017		Rupees
<i>Effects on the profit and loss account</i>		
Increase in gain on derivative		14,675,459
<i>Effects on the other comprehensive income</i>		
Decrease in deferred tax charge		1,968,675

4.2 Reclassification of corresponding figures

Corresponding figures have been reclassified for the purpose of comparison and better presentation as follows:

Reclassification from component	Reclassification to component	Rupees
Other receivables	Other receivables (Advances, deposits, prepayments and other receivables)	4,488,268
Derivative (Derivative-designated at fair value through profit and loss)	Deposit against exposure and loss in DFC (Advances, deposits, prepayments and other receivables)	27,377,950

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4.2 Property and equipment

Owned

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

Subsequent costs are included in the carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company for more than 1 year and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the year in which they are incurred.

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

Depreciation is charged to profit and loss account using reducing balance method whereby the cost of the asset less its estimated residual value is written off over the estimated useful life at rates given in note 5. Depreciation on additions is charged from date asset is in location and condition for it to be capable to be operated in the manner as intended by management and ceases on date of disposal.

4.3 Intangible assets

An intangible asset is recognised as an asset if it is probable that the economic benefits attributable to the asset will flow to the Company, the cost of the asset can be measured reliably and the entity has control over the asset. Amortisation is not charged on intangible assets with infinite useful lives and is charged on asset with finite useful lives is charged when the asset is available for intended use.

4.4 Financial assets

4.4.1 Classification

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

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'trade deposits and other receivables' and 'cash and cash equivalents' in the balance sheet.

b) Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category on initial recognition or any other instrument not classified as (a) loans and receivables (b) held to maturity investments (c) financial assets at fair value through profit or loss. Available for sale financial assets classified in short term are measured at fair value in the balance sheet date. Fair value changes are recognized in equity, through other comprehensive income, except for impairment loss and foreign exchange gain or losses. The cumulative gain or loss that was recognized in equity is recognized in profit or loss when available for sale financial assets is derecognized.

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d) **Financial assets at fair value through profit or loss**

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

e) **Derivative - held for trading**

Derivative instruments held by the Company primarily comprise of future contracts in the capital market. These are initially and subsequently re-measured at fair value. Derivative is accounted in the books when initial investment is nil or much smaller than would be required for other types of contracts, its value changes in response to change in underlying variable such as stock price and is settled at future date.

4.4.2 Recognition, measurement and derecognition of financial asset

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized at settlement date.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. In case of available for sale financial assets, the change in fair value is recognised in other comprehensive income and in case of financial assets classified as fair value through profit and loss, the change is recognised in profit and loss account for the year.

The fair values of quoted investments are based on quoted prices. In case quoted prices are not available, the Company establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

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

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available for-sale financial assets, the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to profit and loss account as a reclassification adjustment. Impairment losses recognized in the profit and loss account on equity instruments classified as available-for-sale are not reversed through the profit and loss account.

4.5 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

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An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Non-financial assets

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

4.6 Financial liabilities

Financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently carried at amortized cost using effective interest rate method.

4.6.1 Murabaha

Murabaha transactions are reflected as payable at the amortised cost. Profit accrued to the financial institution is amortised using effective interest rate method.

4.7 Offsetting financial instruments

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

4.8 Trade debts and other receivables

Trade debts and other receivables are recognised at fair value and subsequently measured at amortized cost. A provision for impairment in trade debts and other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

4.9 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the company are not treated as assets of the Company and accordingly are not included in these financial statements.

5.0 Cash and cash equivalents

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

4.10 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

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Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

4.11 Trade and other payables

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

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

4.12 Taxation

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

Current

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

Deferred

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

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

4.13 Provisions

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

4.14 Financial instruments

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instruments. Any gain or loss on the recognition and derecognizing of the financial assets and liabilities is taken to profit and loss account currently.

4.15 Foreign currency transactions and translation

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

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4.16 Revenue recognition

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

- Brokerage, consultancy and advisory fee, commission etc. are recognised as and when such services are provided.
- Income from bank deposits is recognised at effective
- 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 and marked to market gains accumulated in Other Comprehensive Income are transferred to profit and loss account in the year in which Investments are disposed off.

4.17 Borrowing costs

Borrowing costs are recognised as an expense in the year in which they are incurred except where such costs are directly attributable to the acquisition or construction of qualifying asset in which such costs are capitalized as part of the cost of that asset. Borrowing costs includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

5 PROPERTY AND EQUIPMENT

	Building	Furniture & Fixtures	Office Equipment	Computer	Vehicles	Total
As at June 30, 2016						
Cost	7,746,953	1,650,470	2,052,281	8,054,281	10,095,199	29,599,184
Accumulated depreciation	(5,315,878)	(1,057,604)	(1,363,254)	(6,802,100)	(4,425,050)	(18,963,886)
Closing net book value	<u>2,431,075</u>	<u>592,866</u>	<u>689,027</u>	<u>1,252,181</u>	<u>5,670,149</u>	<u>10,635,298</u>
Year ended June 30, 2017						
Opening net book value	2,431,075	592,866	689,027	1,252,181	5,670,149	10,635,298
Additions during the year	7,520,000	661,277	-	927,596	19,478,000	28,586,873
Diposals / Transfer	-	-	-	-	-	-
Depreciation for the year	(995,108)	(92,921)	(68,903)	(565,454)	(3,345,830)	(5,068,216)
Closing net book value	<u>8,955,967</u>	<u>1,161,222</u>	<u>620,124</u>	<u>1,614,323</u>	<u>21,802,319</u>	<u>34,153,955</u>
As at June 30, 2017						
Cost	15,266,953	2,311,747	2,052,281	8,981,877	29,573,199	58,186,057
Accumulated depreciation	(6,310,986)	(1,150,525)	(1,432,157)	(7,367,554)	(7,770,880)	(24,032,102)
Net book value	<u>8,955,967</u>	<u>1,161,222</u>	<u>620,124</u>	<u>1,614,323</u>	<u>21,802,319</u>	<u>34,153,955</u>
Year ended June 30, 2018						
Opening net book value	8,955,967	1,161,222	620,124	1,614,323	21,802,319	34,153,955
Additions during the year	-	242,800	199,880	1,213,100	5,965,015	7,620,795
Disposal / Transfer	-	-	-	-	(6,787,872)	(6,787,872)
Depreciation for the year	(895,597)	(131,578)	(70,345)	(719,065)	(4,721,997)	(6,538,582)
Closing net book value	<u>8,060,370</u>	<u>1,272,444</u>	<u>749,659</u>	<u>2,108,358</u>	<u>16,257,465</u>	<u>28,448,296</u>
As at June 30, 2018						
Cost	15,266,953	2,554,547	2,252,161	10,194,977	27,838,214	58,106,852
Accumulated depreciation	(7,206,583)	(1,282,103)	(1,502,502)	(8,086,619)	(11,580,749)	(29,658,556)
Net book value	<u>8,060,370</u>	<u>1,272,444</u>	<u>749,659</u>	<u>2,108,358</u>	<u>16,257,465</u>	<u>28,448,296</u>
Annual rates of depreciation	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>30%</u>	<u>20%</u>	

5.1 Particulars of disposal of property and equipment are as follows:

Particulars	Cost	Book Value	Sale Price	Gain on disposal	Mode of Disposal	Particulars of Buyer
Vehicle	8,000,000	6,787,872	7,700,000	912,128	Negotiation	Farooq Motors

		2018	2017
		Rupees	
6	INTANGIBLE ASSETS		
	- PSX Trading Rights Entitlement (TRE)	2,500,000	5,991,957
	- Pakistan Mercantile Exchange Company Ltd	1,000,000	1,000,000
	- Software license	847,022	1,058,778
		<u>4,347,022</u>	<u>8,050,735</u>

- 6.1 Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Stock Exchanges (Corporatisation, Demutualization and Integration) Act 2012 (ACT), the Company has received a Trading Right Entitlement Certificate (TREC) in lieu of its membership card of PSX. These have been carried at cost less impairment.

During the year the Company has recorded impairment on TREC based on the minimum value provided by the Pakistan Stock Exchange Limited vide their letter No.SMD/SE/2(57)/2002 dated November 9, 2017.

		2018	2017
		Rupees	
6.2	Software license		
	Cost	1,058,778	1,323,473
	Less: Amortisation Expense	(211,756)	(264,695)
		<u>847,022</u>	<u>1,058,778</u>
	<i>Annual amortization rate</i>	<u>20%</u>	<u>20%</u>

		2018	2017
		Rupees	
7	LONG TERM INVESTMENT		
	<i>Available for sale</i>		
	<i>Investment in shares at fair value</i>		
	-Pakistan stock exchange limited	21,353,582	10,290,952

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

In March 2017, the Company disposed off 1,602,953 shares (i-e 40%) under the share purchase agreement between PSX and an Anchor investor and additional 801,477 shares (i-e 20%) under Initial Public Offering in June 2017 at Rs. 28 per share. Further, as per Section 5(2) of Public Offering Regulations, 2017, the Company is required to retain not less than 25% of the total paid up capital for a period of not less than three financial years from the last date for the public subscription.

		2018	2017
		Rupees	
8	LONG TERM DEPOSITS		
	Pakistan Stock Exchange Limited	1,100,000	1,100,000
	National Clearing Company of Pakistan Ltd	500,000	500,000
	Central Depository Company of Pakistan Ltd	100,000	100,000
	Pakistan Commodity Exchange Limited	2,500,000	2,500,000
		<u>4,200,000</u>	<u>4,200,000</u>

- 8.1 Amount deposited as Basic deposit for exposure in Ready Market, Future DFC and Future trading in provisionally listed Company.

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8.2 Amount deposited as Basic deposit to National Clearing Company.

9	TRADE DEBT	Notes	2018	2017
			Rupees	
	Considered good and secured	9.1	23,716,260	15,484,072
	Considered doubtful		-	577,332
			<u>23,716,260</u>	<u>16,061,404</u>
	Provision for bad debts		-	(577,332)
		9.2	<u>23,716,260</u>	<u>15,484,072</u>

9.1 This includes receivable from the director of the company amounting to Rs. 3.475 million (2017: 3.631). The maximum aggregate amount outstanding at any time during the year with reference to month-end balances is Rs. 25.16 million

9.2 The Company holds equity securities having fair value of Rs. 645.947 million (2017: Rs 506.672 million) owned by its clients, as collaterals against trade debts. The aging analysis of the total receivable from clients as at the reporting date is as follows:

	2018		2017	
	Gross	Impairment	Gross	Impairment
Not past due	-	-	-	-
Past due 1 day - 30 days	16,465,704	-	10,568,617	-
Past due 31 days - 180 days	3,803,606	-	2,424,791	-
Past due 181 days - 1 year	3,446,950	-	3,067,996	577,332
More than one year	-	-	-	-
	<u>23,716,260</u>	-	<u>16,061,404</u>	<u>577,332</u>

10	SHORT TERM INVESTMENTS	Notes	2018	2017
			Rupees	
	DESIGNATED AT AVAILABLE FOR SALE		<u>1,381,499,570</u>	<u>1,255,863,214</u>
	Fair value of listed securities at June 30 th		1,384,770,125	1,255,914,564
	Less: provision for impairment	10.1	(3,270,555)	(51,350)
			<u>1,381,499,570</u>	<u>1,255,863,214</u>

10.1 This represents impairment loss on listed securities with prolonged decline and absence of active market resulting from classification in defaulter segment. Impairment loss is the difference between cost and estimated future cashflows expected to be generated from these financial asset.

10.2 Fair value of shares pledged as at 30th June amounted indicating separately securities belonging to customers is as under:

	2018		2017	
	Number of securities	Amount (Rupees)	Number of securities	Amount (Rupees)
Clients	168,727	5,019,557	2,390,500	181,869,417
Brokerage House	825,000	6,982,000	27,636,200	844,744,688
Total	<u>993,727</u>	<u>12,001,557</u>	<u>30,026,700</u>	<u>1,026,614,105</u>

10.3 Fair value of pledge shares against Murabaha and short term borrowings amount to Rs. 1,129.90 million (2017: Rs. 768.30 million). This includes securities pledged of customers amounting to Rs. 200.61 million (2017: 169.98 million).

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		2018	(Restated) 2017
		Rupees	
11	ADVANCES, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES		
	Advances to staff	11,047,450	7,686,225
	Prepaid expense	117,453	117,453
	Deposit against exposure and loss in DFC	12,029,665	74,377,950
	Other receivables	20,064,000	4,488,268
		<u>43,258,568</u>	<u>86,669,896</u>
12	TAX REFUNDABLE DUE		
	Opening balance	70,206,897	44,370,912
	Provision for tax	(26,256,037)	(55,246,821)
	Prior year tax	-	(781,051)
		(26,256,037)	(56,027,872)
	Add: Advance tax paid	26,583,002	81,863,857
		<u>70,533,862</u>	<u>70,206,897</u>
13	DERIVATIVE		
	Derivative-designated at fair value through profit and loss	5,224,285	13,335,385
		<u>5,224,285</u>	<u>13,335,385</u>
13.1	This represents receivable on account of trading in stand alone derivative in delivery future contract.		
14	CASH AND BANK BALANCES	2018	2017
		Rupees	
	Cash in hand	231,134	793,150
	Cash at bank:		
	- current account	109,144,192	184,884,136
	- saving account	7,053	-
		<u>109,382,379</u>	<u>185,677,286</u>
14.1	This includes cash at bank pertaining to client accounts amounting to Rs 109.012 million (2017: 155.536 million).		
15	DEFERRED TAXATION	2018	2017
		Rupees	
	Deferred Tax balance arising on the following:		
	Taxable temporary difference		
	Investment available for sale	-	842,824
	Unrealized gain on derivative	-	6,107,000
		<u>-</u>	<u>6,949,824</u>
15.1	Final Tax on Brokerage Commission imposed through amendment in Section 233 A of Income Tax Ordinance resulted in reversal of all temporary differences other than those resulting from unrealized gain/(loss) on listed securities and derivate products.		
16	SHORT TERM BORROWINGS - SECURED	2018	2017
		Rupees	
	JS Bank Ltd	213,227,373	113,843,252
	Habib Metropolitan Bank Ltd	85,409,793	163,903,553
	NIB Bank Ltd	-	58,709,700
	Sindh bank	99,957,131	-
		<u>398,594,297</u>	<u>336,456,505</u>

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- 16.1 Running finance facility for 1 year obtained from JS Bank of Rs 300 million. Markup paid on quarterly basis and computed on base of 3 month KIBOR + 200 base points. Purpose of facility is to finance obligation of PSX and settle client trades. Financing is secured against pledged shares that are included in approved list of JSBL's shares with a minimum margin of 30% along with personal guarantee of directors. Additional condition attached to financing is 25% maximum exposure on single scrip with minimum 4 scrips against Running Finance Limit.
- 16.2 Running finance facility obtained from Habib Metropolitan Bank of Rs 400 million for the purpose of meeting working capital requirement. Markup paid on quarterly basis and is computed on basis of 3 month KIBOR +2 percent per annum. Facility is secured against collateralized shares in shape of pledge of quoted shares as per Bank's approved list of companies..
- 16.3 Running finance facility for 1 year obtained from Sindh bank of Rs 150 million to meet the working capital requirements/daily obligations of Pakistan stock exchange/investments in shares/settlements of the company and carrying mark-up @ 3 months KIBOR + 2% per annum payable quarterly. Facility is secured against collateralized shares in shape of pledge of quoted shares as per Bank's approved list of companies and personal guarantee of all director of the company.

17	TRADE AND OTHER PAYABLES	2018	2017
		Rupees	
	Creditors	108,845,375	154,614,679
	Accrued liabilities	4,599,473	6,123,637
	Sales tax payable	-	616,188
	Other payable	3,464,522	-
		<u>116,909,370</u>	<u>161,354,504</u>

18	MURABAHA FINANCING - AT AMORTIZED COST	2018	2017
	Opening Balance	101,068,593	146,554,186
	Principal obtained	269,430,426	162,120,260
	Unwinding of Murabaha	8,468,660	6,440,026
	Payment during the year	(244,293,112)	(214,045,879)
	Closing Balance	<u>134,674,567</u>	<u>101,068,593</u>

18.1 Contract wise detail of each Murabaha

Particulars	Murabaha Contract 11	Murabaha Contract 12	Murabaha Contract 13	Murabaha Contract 14	Murabaha Contract 15	Murabaha Contract 16	Murabaha Contract 17	Murabaha Contract 18	Total
Balance as at July 01, 2017	18,845,365	53,040,525	29,182,703	-	-	-	-	-	101,068,593
Principal Obtained	-	-	-	51,500,000	88,364,250	51,522,706	45,222,009	32,821,461	269,430,426
Unwinding of Murabaha	95,618	280,880	22,067	1,118,171	1,843,533	2,062,857	1,769,903	1,275,631	8,468,660
Payment made during the year	(18,940,983)	(53,321,405)	(29,204,770)	(52,618,171)	(90,207,783)	-	-	-	(244,293,112)
Balance as at June 30, 2018	-	-	-	-	-	53,585,563	46,991,912	34,097,092	134,674,567

18.2 Murabaha Financing obtained from Dubai Islamic Bank for purchase of shares during the year amounted to Rs 269.43 million. Finance cost computed on basis of 6 month KIBOR+2%. Securities under pledge/lien of DIBP until repayment.

18.3 Markup resulting from unwinding of Murabaha amounted to Rs 8,468,660 which includes markup unpaid amounting to Rs 5,108,391.

19	ACCRUED MARKUP	2018	2017
		Rupees	
	Short term financing	<u>3,930,372</u>	<u>8,098,498</u>

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20 CONTINGENCIES AND COMMITMENTS

20.1 FBR issued show cause notice on March 17, 2016 on non-deduction of withholding taxes on salaries for tax year 2015 amounting to Rs 22,404,285. The aforementioned order states that tax default payable under Section 161 of ITO Ordinance 2001 and default surcharge under section 205 of ITO Ordinance in aggregate amounted to Rs 6,411,352. The management in return has provided reconciliation to FBR under Rule 44 (4) of Income Tax Rules 2002 of amount of withholding tax deducted/paid and salaries accrued during tax year 2015 and believes favourable disposition in this regard.

	2018	2017
	Rupees	
21 OPERATING REVENUE		
Commission Income	29,719,467	62,219,856
IPO Commission	231,667	121,900
	<u>29,951,134</u>	<u>62,341,756</u>
22 GAIN FROM DERIVATIVE		
Gains resulting from derivative	<u>5,224,285</u>	<u>19,059,007</u>

22.1 This represent gains incurred by company during the year from trading in Delivery Future Contract.

	2018	2017
	Rupees	
23 CAPITAL GAIN ON SALE OF INVESTMENT	<u>129,371,716</u>	<u>362,381,879</u>

24 ADMINISTRATIVE AND GENERAL EXPENSES

	Notes	2018	2017
		Rupees	
Salaries, benefits and allowances		28,895,706	38,791,773
Directors' remuneration		12,569,490	12,663,106
PSX / NCCPL electricity and service charges		7,222,149	11,000,446
C.D.C charges		45,440	1,740,141
Printing and stationery		6,600	180,000
Fees and subscription		1,046,220	252,853
Communication expenses		705,206	814,918
Audit Fees		600,000	600,000
Vehicle running expenses		233,960	607,127
Travelling and conveyance expenses		690,475	863,467
Entertainment expenses		913,314	601,644
Repair and Maintenance		1,972,795	586,118
Depreciation	5	6,538,582	5,068,216
Provision for impairment	24.1	6,711,162	628,682
General expenses		990,947	574,215
Amortization of Computer software	6.2	211,756	264,695
Insurance		289,127	58,605
Donation	24.2	6,310,000	10,295,000
Legal , professional charges and taxes		3,173,000	300,000
Software Charges		2,023,997	1,148,362
		<u>81,149,926</u>	<u>87,039,368</u>

24.1 Provision for impairment

Provision for doubtful debts	9	-	577,332
Provision for impairment of TRE Certificate		3,491,957	-
Provision for impairment on Investment at AFS	10.1	3,219,205	51,350
		<u>6,711,162</u>	<u>628,682</u>

24.2 None of the directors and their spouse are interested in the donee's fund

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	Notes	2018	2017
		Rupees	
25 FINANCIAL CHARGES			
Mark up on short term running finance		36,537,677	40,336,780
Interest on Murabaha Finance		8,468,660	6,440,026
Bank charges		198,358	479,407
		<u>45,204,695</u>	<u>47,256,213</u>
26 OTHER INCOME			
Interest Income		1,236,573	1,043,934
Dividend income		63,514,093	38,224,684
Gain on sale of fixed assets		912,128	-
Reversal of Provision for Doubtful Debts		577,332	-
		<u>66,240,126</u>	<u>39,268,618</u>
27 TAXATION			
Current			
-For the year	27.1	26,256,037	55,246,821
-Prior year tax		-	781,051
		<u>26,256,037</u>	<u>56,027,872</u>
Deferred tax expense/(Income)			
Temporary difference		(6,107,000)	8,835,547
Rate change		-	90,952
		<u>(6,107,000)</u>	<u>8,926,499</u>
Tax Expense during the year		<u>20,149,037</u>	<u>64,954,371</u>
27.1 Current tax			
Minimum Tax		-	622,199
Tax on Commission Income		16,800,659	-
Tax on dividend		9,427,578	4,778,086
Tax on Capital gain		-	49,831,908
Tax on IPO Commission		27,800	14,628
		<u>26,256,037</u>	<u>55,246,821</u>

27.2 As per management's assessment, the provision for income tax made in the financial statements is sufficient. A comparison of last three year's income tax provisions with tax assessment is presented below:

	Provision for taxation	Assessment
	-----Rupees-----	
2017	55,246,821	55,246,821
2016	4,151,192	5,495,007
2015	13,829,658	6,615,528

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28 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including certain benefits to Directors, Chief Executive and Executives of the Company, are as follows:

	Chief Executive		Directors		Other Executive	
	2018	2017	2018	2017	2018	2017
	Rupees					
Managerial remuneration	3,103,902	2,532,621	7,125,096	10,130,485	10,803,831	10,803,831
Bonus	735,396	-	1,605,096	-	2,412,000	2,412,000
Retirement benefits	-	-	-	-	-	-
	<u>3,839,298</u>	<u>2,532,621</u>	<u>8,730,192</u>	<u>10,130,485</u>	<u>13,215,831</u>	<u>13,215,831</u>
Number of persons	1	1	3	4	6	6

29 RELATED PARTY TRANSACTIONS

Related parties comprise of key management personnel and directors and their close family members, major shareholders of the Company. Transaction with related parties are on arm's length. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment. Transactions with related parties during the year other than those disclosed elsewhere in the financial statements are as follows:

Name of the related party and relationship with company		June 30, 2018	June 30, 2017
		Rupees	
Key Management Personnel	Balance receivable at year end	6,975,000	3,630,935
	Balance payable at year end	43,821,755	6,315,795

30 FINANCIAL INSTRUMENT BY CATEGORY

Notes

Financial Assets

Investments held at Available for Sale

Short term Investment at Available for Sale

Long term Investment at Available for Sale

2018 2017
Rupees

1,381,499,570	1,255,863,214
21,353,582	10,290,952
<u>1,402,853,152</u>	<u>1,266,154,166</u>

Investment held at Fair value through Profit and Loss

Derivate held for trading

5,224,285	13,335,385
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Loans and Receivables

Trade Debts

Advance to Employees

Deposit against losses and exposure in Ready market & DFC

23,716,260	15,484,072
11,047,450	7,686,225
12,029,665	74,377,950
<u>46,793,375</u>	<u>97,548,247</u>

Cash and Bank

109,382,379	185,677,286
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Financial liabilities at balance sheet date

At amortised cost

Trade & other payables

Murabaha Finance

Accrued Markup

Short term Borrowings

113,444,848	160,738,316
134,674,567	101,068,593
3,930,372	8,098,498
398,594,297	336,456,505
<u>650,644,084</u>	<u>606,361,912</u>

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30.1 Financial Risk Factors

The Company is exposed to a variety of financial risks (including interest rate risk and other price risk), credit rate risk and liquidity risk. The Company's overall risk management programmed focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

The Board of Directors has the overall responsibility for the establishment and oversight of Company's risk management framework. All related transactions are carried out within the parameters of these policies.

a) Market Risk

i) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transaction in foreign currency. Currently, the Company is not exposed to currency risk since there are no foreign currency transactions and balances at the reporting date.

ii) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 1.266 billion (2016: Rs. 1.226 billion) at the reporting date. The Company manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

Sensitivity analysis

The table below summarizes Company's equity price risk as of 30 June 2017 and 2016 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Company's equity investment portfolio.

		Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase (decrease) in shareholders' equity	Hypothetical increase (decrease) in profit / (loss) after tax
June 30, 2018	Rupees	1,402,853,152	10% increase	1,543,138,467	140,285,315	140,285,315
June 30, 2017	Rupees	1,266,154,166	10% increase	1,392,769,583	126,615,417	126,615,417

(iii) Interest rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk 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. The short term borrowing arrangements has variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes.

Financial liabilities include balances of Rs. 533.269 million (2017: Rs.437.525 million) and respectively, which are subject to interest / markup rate risk. Applicable interest / mark-up rates for financial assets and liabilities have been indicated in respective notes.

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

	2018	2017	2018	2017
	Effective interest rate (%)		Carrying amounts (Rs.)	
Financial liabilities				
Short term borrowings	8.16% to 9.08%	8% to 9%	<u>398,594,297</u>	<u>336,456,505</u>
Murabaha Finance	7.77% to 8.01%	7.77% to 8.12%	<u>134,674,567</u>	<u>101,068,593</u>

Sensitivity analysis

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

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

	Profit and loss 100 bps	
	increase	decrease
As at June 30,2018		
Cashflow Sensitivity-Variable rate financial liabilities	5,332,689	(5,332,689)
As at June 30, 2017		
Cash flow Sensitivity- Variable Rate Financial Liabilities	4,375,251	(4,375,251)

b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, possibility of default by investors, and or failure of the financial markets, depositors, settlements or clearing system etc.

Exposure to credit risk

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, short term loans, deposits, proceed receivable and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery. The Company's management, as part of risk management policies and guidelines, reviews clients' financial position, considers past experience and other factors, and obtains necessary collaterals to reduce credit risks. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies, investment and operational guidelines approved by the Board of Directors

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The carrying amount of financial assets represent the maximum credit exposure at the reporting date, which are detailed hereunder as follows:

	Carrying amount	
	2018	2017
	Rupees	
Long term deposits	4,200,000	4,200,000
Trade debts	23,716,260	15,484,072
Advances, Trade deposits and other receivables	23,077,115	82,064,175
Bank balances	109,151,245	184,884,136
	<u>160,144,620</u>	<u>286,632,383</u>

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies, investment and operational guidelines approved by the Board of Directors. In addition, credit risk is also minimized due to the fact that the Company invests only in high quality financial assets, majority of which have been rated by a reputable rating agency. The Company does not expect to incur material credit losses on its financial assets.

The credit quality of Company's liquid funds can be assessed with reference to external credit ratings as follows:

Short term rating	2018	2017
	Rupees	
A-1	17,900,293	31,942,992
A1+	91,157,644	151,977,648
A-1+	93,308	71,577
A-2	-	891,919
	<u>109,151,245</u>	<u>184,884,136</u>

Due to the company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company. Accordingly, the credit risk is minimal.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

On the reporting date, the Company had cash and bank balance of Rs. 109.382 million (2017: Rs 185.677 million)

The following are the contractual maturities of financial liabilities including estimated interest payments

	Carrying amount	Contractual cash flows	2018	
			Up to one year	More than one year
			Amounts in Rupees	
Financial liabilities				
Trade and other payables	113,444,848	113,444,848	113,444,848	-
Short term borrowings	398,594,297	398,594,297	398,594,297	-
Murabaha Finance	134,674,567	134,785,472	134,785,472	-
Accrued markup on short term borrowings	3,930,372	3,930,372	3,930,372	-
	<u>650,644,084</u>	<u>650,754,989</u>	<u>650,754,989</u>	<u>-</u>

	Carrying amount	Contractual cash flows	2017	
			Up to one year	More than one year
Financial liabilities				
Trade and other payables	160,738,316	160,738,316	160,738,316	-
Short term borrowings	336,456,505	336,456,505	336,456,505	-
Murabaha Finance	101,068,593	110,164,766	110,164,766	-
Accrued markup on short term borrowings	8,098,498	8,098,498	8,098,498	-
	<u>606,361,912</u>	<u>615,458,085</u>	<u>615,458,085</u>	<u>-</u>

30.2 Fair value estimate

In case of equity instruments, the Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 — inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The company held the following financial instrument measurement at fair value :

June 30, 2018	Level 1	Level 2	Level 3	Total
	----- Amount in Rupees -----			
<i>Financial assets</i>				
- Financial Assets-Available for sale				
Quoted Instruments	1,402,853,152	-	-	1,402,853,152
Unquoted Instruments				-
	<u>1,402,853,152</u>	<u>-</u>	<u>-</u>	<u>1,402,853,152</u>
June 30, 2017	Level 1	Level 2	Level 3	Total
	----- Amount in Rupees -----			
<i>Financial assets</i>				
-Financial Assets-Available for sale				
Quoted Instruments	1,266,102,816	-	51,350	1,266,154,166
Unquoted Instruments				-
	<u>1,266,102,816</u>	<u>-</u>	<u>-</u>	<u>1,266,154,166</u>

31 CAPITAL ADEQUACY LEVEL AND CAPITAL RISK MANAGEMENT

- 31.1 The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

Net capital and Liquid capital requirements of the Company are set and regulated by Pakistan Stock Exchange Limited. These requirements are put in place to ensure sufficient solvency margins and are based on excess of current assets over current liabilities.

The Capital adequacy level as required by CDC is calculated as follows:

	2018	2017
	----- Rupees -----	
Total assets	1,691,963,824	1,683,932,392
Less: Total liabilities	654,108,606	613,927,924
Less: Revaluation Reserves (created upon revaluation of fixed assets)	-	-
Capital adequacy level	<u>1,037,855,218</u>	<u>1,070,004,468</u>

31.1.1 While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate as at year ended as determined by Pakistan Stock Exchange has been considered.

32 PATTERN OF SHAREHOLDING

Shareholders holding more than 5% of the shares are as follows:

	Percentage of holding	
	2018	2017
Muhammad Samin	40.62%	40.62%
Muhammad Taufiq	37.5%	37.5%
Farzana Taufiq	12.48%	12.48%

No change in pattern of shareholding above 5% percent during the financial year.

33 NUMBER OF EMPLOYEES

The total number of employees and average number of employees at year end and during the year respectively are as follows:

	2018	2017
	----- Number -----	-----
Total number of employees as at	<u>25</u>	<u>30</u>
Average number of employees during the year	<u>27</u>	<u>29</u>


34 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on 27 SEP 2018 in accordance with resolution of the Board of Directors.

35 GENERAL

Figures have been rounded off to the nearest rupee and corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison.

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CHIEF EXECUTIVE



DIRECTOR