Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

Intermarket Securities Limited

Audited Financial Statements
For the year ended June 30, 2018

Russell Bedford

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.
Karachi-74400, PAKISTAN.
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INDEPENDENT AUDITORS' REPORT

To the members of Intermarket Securities Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Intermarket Securities 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 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 / Institute of Cost and Management Accountants (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.

Cont'd... P/2

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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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Russell Bedford

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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 Dosani.

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Karachi

Date: 26 SEP 2018

INTERMARKET
SECURITIES LTD

DIRECTORS' REPORT TO THE SHARE HOLDERS

The Board of Directors of Intermarket Securities Limited (IMS) is pleased to present the Annual Report of IMS as a Public Limited (Unquoted) entity for the financial year ended June 30, 2018. These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Act, 2017.

The Directors' Report is prepared under section 226 of the Companies Act 2017.

NATURE OF BUSINESS

Intermarket Securities Limited is a Public Limited Company (Unlisted) and TREC holder of Pakistan Stock Exchange Limited (PSX). The Company is engaged in the business of share brokerage, underwriting, investment, portfolio management and other related brokerage activities.

MANAGEMENT OBJECTIVES AND STRATEGIES

Our objective and strategy going forward is to remain focused on enhancing our brokerage services, providing excellent financial advisory, controlling risk, optimizing and expanding products and services and staying firm on the ethical and regulatory standards.

The Directors are pleased to report that:

a) The financial statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity;

b) Proper books of accounts of the Company have been maintained;

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements;

e) The system of internal control is sound and has been effectively implemented and monitored;

f) The Company on account of statutory payment of taxes, duties, levies and charges has no outstanding liability as at the balance sheet date;

g) Loss per share (LPS) of the company for the year ended June 30th 2018 is Rs. 5.16. The major reason for loss per share is loss on remeasurement of investment at fair value through profit and loss and dropped business volumes due to political uncertainty and deteriorating economic conditions.

Financial Statements

The Financial statements of the company have been audited and approved without qualification by the auditors of the company, Rehman Sarafaraz Rahim Iqbal Rafiq Chartered Accountants.

INTERMARKET SECURITIES LTD

Market Review

During the year under review, the KSE-100 shed 10% to close at 41,911 points (versus 46,565 points on June 30, 2017), as political uncertainty and deteriorating economic conditions affected sentiment. This weak sentiment affected business volumes with average daily turnover dropped to US$74mn (vs. US$147mn in FY17). Foreigners continued to sell, with FIPI outflow clocking in at US$288.7mn. Bulk of this was concentrated in Banks (US$156mn), E&Ps (US$99mn) and Cements (US$35mn).

With the government now in place, and appropriate steps being taken to stabilize the economy, it is expected that the market will perform better going forward. Economic adjustments in the form of higher interest rates and a weaker PKR are taking place, and will affect GDP growth, but it is felt that the worst has already been priced in.

Future outlook

The future prospects of our company looks positive on the account of growing market volumes. The company's focus in the near future will be to further enhance market share of its brokerage business for which we have hired number of skilled staff to be designated and responsible for applying their skills with the target to take our company in top three brokerage houses.

AUDITORS

As recommended by the Finance Committee, the present auditors M/s Rehman Sarafaraz Rahim Iqbal Rafiq Chartered Accountants retire and being eligible, have offer themselves for re-appointment.

PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30, 2018 is as under;

Name	No. of Shares	Shareholding %
Azneem Bilwani - Chairman	18,050,360	90%
Muhammad Javed - Director	2,005,595	10%
Muhammad Hanif - Director	1	0%

ACKNOWLEDGEMENT

We acknowledge that the financial and operational efficiency which our company witnessed during the year under review would not have been without the untiring support and sound corporate governance rendered by the Board members and the enthusiastic, persistent and affirmative efforts of the staff of the company at all levels.

We would like to acknowledge the Securities and Exchange Commission of Pakistan, Central Depository Company of Pakistan Limited, National Clearing Company of Pakistan Limited and the management of Pakistan Stock Exchange Limited for their efforts to strengthen the capital markets and measures to protect investor rights.

For and on behalf of the Board of Directors

Noor Hameed

Mian Noor Hameed
Chief Executive Officer

INTERMARKET SECURITIES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	June 30,2018	June 30,2017
		Rupees	
NON CURRENT ASSETS			
Property and equipment	4	**45,411,934**	53,400,864
Intangible assets	5	**14,938,208**	16,859,012
Long term investments	6	**61,785,618**	77,163,833
Long term deposits	7	**14,991,909**	38,438,253
		137,127,669	185,861,962
CURRENT ASSETS			
Short term Investment- at FVTPNL	8	**364,632,662**	177,909,467
Short term Investment- at FVTOCI	9	**1,963,281**	2,889,805
Trade debts	10	**442,872,781**	1,142,150,917
Advances, deposits, prepayments and other receivables	11	**132,605,434**	208,875,988
Taxation - net	12	**87,377,964**	86,378,162
Short term loans	13	**61,456,012**	61,456,012
Cash and bank balances	14	**270,628,684**	196,193,665
		1,361,536,818	1,875,854,016
		1,498,664,487	2,061,715,978
CAPITAL AND LIABILITIES			
100,000,000 (2017: 100,000,000) ordinary shares of Rs.10/- each		**1,000,000,000**	1,000,000,000
Issued, subscribed & paid-up capital	15	**200,559,560**	200,559,560
Unappropriated Profit / (Loss)		**478,478,507**	631,442,581
Surplus/(deficit) in Remeasurement of Investments		**15,293,889**	25,725,929
		694,331,956	857,728,070
NON CURRENT LIABILITIES			
Directors' Subordinated loan	16	**226,087,791**	366,944,842
Long term finance	17	**9,139,575**	12,751,290
Deferred taxation	18	**28,283,995**	49,756,537
		263,511,361	429,452,669
CURRENT LIABILITIES			-
Short term borrowings - secured	19	**229,618,613**	427,181,632
Trade and other payables	20	**300,362,825**	240,351,848
Director's loan	21	-	93,534,480
Current maturity of long term finance	17	**4,836,946**	4,211,224
Accrued markup		**6,002,786**	9,256,055
		540,821,170	774,535,239
Contingencies and commitment	22	-	-
		1,498,664,487	2,061,715,978

The annexed notes from 1 to 34 form an integral part of these financial statements.

Noor Haneed

CHIEF EXECUTIVE

DIRECTOR

INTERMARKET SECURITIES LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		Rupees	
Operating revenue	23	**217,881,410**	332,486,835
Capital gain on sale of investment - net		**22,491,919**	9,853,302
Gain / (loss) on remeasurement of investments at fair value through profit and loss		**(42,444,873)**	(14,245,324)
		197,928,456	328,094,813
OPERATING EXPENSES			
Administrative expenses	24	**(231,092,593)**	(293,533,091)
Finance costs	25	**(58,801,328)**	(62,615,971)
		(289,893,921)	(356,149,062)
Other Income	26	**3,648,403**	2,157,028
(Loss) / profit before taxation		**(88,317,062)**	(25,897,221)
Taxation	27	**(15,153,791)**	(1,485,743)
(Loss) / profit after taxation		**(103,470,853)**	(27,382,964)

The annexed notes from 1 to 34 form an integral part of these financial statements.

Mooz Hameed

CHIEF EXECUTIVE

DIRECTOR

INTERMARKET SECURITIES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	Rupees	
(Loss) / profit after taxation	**(103,470,853)**	(27,382,964)
Unrealise loss on remeasurement of available for sales investments during the year	**(10,432,040)**	(57,921,487)
Total comprehensive (loss) / income for the year	**(113,902,893)**	(85,304,451)

The annexed notes from 1 to 34 form an integral part of these financial statements.

Noor Hameed

CHIEF EXECUTIVE

DIRECTOR

INTERMARKET SECURITIES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES	Rupees	
Profit before taxation	**(88,317,062)**	(25,897,221)
Adjustments for:		
Depreciation	**10,440,776**	11,051,762
Amortization	**526,054**	625,566
Loss / (gain) on revaluation of investments	**42,444,873**	14,245,324
Bad debts written off	**661,157**	-
Finance cost (excluding unwinding of director loan)	**36,080,207**	60,392,582
Remeasurement of director loan	-	(160,013,604)
Impairment of TREC	**1,394,750**	-
Impairment of National Asset Management Company shares	**5,872,704**	-
Unwinding of director loan	**22,721,121**	2,223,389
	120,141,642	(71,474,981)
	31,824,580	(97,372,202)
Changes in working capital items		
(Increase) / Decrease in Current assets		
Trade debts	**699,278,136**	(478,565,645)
Advances, deposits, prepayments and other receivables	**76,270,554**	(125,668,993)
Short term loan	-	(10,456,012)
	775,548,690	(614,690,650)
Increase / (Decrease) in Current liabilities		
Trade and other payable	**60,010,977**	150,277,632
Operating Cash Flows	**867,384,247**	(561,785,220)
Finance cost paid	**(39,333,476)**	(58,477,839)
Tax paid	**(117,541,543)**	(61,598,734)
Net Cash used in operating activities	**710,509,228**	(681,861,793)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchase) / sale of investments	**(129,372,274)**	403,978,067
Purchase of property and equipments	**(2,802,648)**	(9,143,741)
Proceeds from disposal of fixed assets	**350,802**	-
Long term deposit	**23,446,344**	(28,739,171)
Net cash (used in) / generated from investing activities	**(108,377,776)**	366,095,155
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance obtained / (repaid) -net	**(2,985,993)**	3,389,249
Loan (repaid) / obtained from director	**(325,584,480)**	594,489,980
Dividend paid	**(1,562,941)**	(2,109,685)
Net cash used in financing activities	**(330,133,414)**	595,769,544
Net cash flow during the year	**271,998,038**	280,002,906
Cash and cash equivalents at the beginning of the year	**(230,987,967)**	(510,990,873)
Cash and cash equivalents at the end of the year	**41,010,071**	(230,987,967)
Cash and cash equivalent at the end of the year comprises of the following:		
Cash and bank balances	**270,628,684**	196,193,665
Short term borrowings	**(229,618,613)**	(427,181,632)
	41,010,071	(230,987,967)

The annexed notes from 1 to 34 form an integral part of these financial statements.

Noor Hameed

CHIEF EXECUTIVE **DIRECTOR**

INTERMARKET SECURITIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Share Capital	Unappropriated Profit/(Losses)	Surplus/(Deficit) in Revaluation of Investment- net of deferred tax	Total Equity
	Rupees			
Balance as at July 01, 2016	200,559,560	340,483,823	83,647,416	624,690,799
Profit after tax	-	(27,382,964)	-	(27,382,964)
Unrealise gain / (loss) on remeasurement of available for sales investments	-	-	(57,921,487)	(57,921,487)
Gain on disposal of investments at FVOCI	-	208,441,884	-	208,441,884
Remeasurement of director's loan to fair value -net of deferred tax	-	112,009,523	-	112,009,523
Dividend paid	-	(2,109,685)	-	(2,109,685)
Balance as at June 30, 2017	200,559,560	631,442,581	25,725,929	857,728,070
Loss after tax	**-**	**(103,470,853)**	**-**	**(103,470,853)**
Unrealise gain / (loss) on remeasurement of available for sale investments	**-**	**-**	**(10,432,040)**	**(10,432,040)**
Remeasurement of director's loan to fair value -net of deferred tax	**-**	**(47,930,280)**	**-**	**(47,930,280)**
Dividend paid	**-**	**(1,562,941)**	**-**	**(1,562,941)**
Balance as at June 30, 2018	**200,559,560**	**478,478,507**	**15,293,889**	**694,331,956**

The annexed notes from 1 to 34 form an integral part of these financial statements.

Nooz Hameed

CHIEF EXECUTIVE

DIRECTOR

INTERMARKET SECURITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1 STATUS AND ACTIVITIES

1.1 Intermarket Securities Limited was incorporated under Companies ordinance, 1984 on 6th September 2002 as a private limited company. In the year 2010 the status of the Company changed to public un-quoted Company. The Company is corporate member of Pakistan Stock Exchange Limited. The registered office of the company is Suite No. 309, Business & Finance Centre, I.I. Chundrigar Road, Karachi. The principal activity of the company is to carry on the business of share brokerage, underwriting, investment and portfolio management.

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

All significant transactions and events that have affected the Company's statement of financial position and performance during the year have been adequately disclosed in the notes to these financial statements particularly in note 2.5.2 and note 16.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Accounting and reporting standards comprise of such International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 (the Act), and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain short term investments which are stated at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

Information about judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates and assumptions with a significant risk of material adjustment in the future periods are included in following notes:

Useful lives and residual values of property and equipments (note 3.1)
Useful lives and impairment of intangible assets (note 3.2)
Classification and value of investments (note 3.4)
Provision against trade debts and other receivables (note 3.8)
Provision for taxation (note 3.14)

2.5 Amendments / interpretation to existing standard and forthcoming requirements

2.5.1 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:

	Effective date (annual reporting periods beginning on or after)
- IAS 19 Employee benefits (Amendments)	January 01, 2019
- IAS 28 Investment in Associates and Joint Ventures (Amendments)	January 01, 2019
- IAS 40 Investment property (Amendments)	January 01, 2018
- IFRS 2 Share-based Payment (Amendments)	January 01, 2018
- IFRS 4 Insurance contracts (Amendments)	January 01, 2018
- IFRS 9 Financial Instruments	July 01, 2018
- IFRS 15 Revenue from Contracts with Customers	July 01, 2018
- IFRS 16 Leases	January 01, 2019
- IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 01, 2018
- IFRIC 23 Uncertainty Over Income Tax	January 01, 2019

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation/ disclosures. The management is in the process of assessing the impact of changes laid down by the IFRS 9, 15 and 16 on its financial statements.

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

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

- The following interpretations issued by the IASB have been waived of by SECP:
  IFRIC 4 Determining whether an arrangement contains lease
  IFRIC 12 Service concession arrangements

2.5.2 Further, in addition to above,the fifth schedule to the Companies Act, 2017 (the Act) became applicable to the Company for the first time for the preparation of these financial statements. The Act (including its fifth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst other, prescribes the nature and content of disclosures in relation to various elements of the financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

3.1 Property and equipments

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. 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 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 in the profit and loss account.

Depreciation is charged to profit and loss account using reducing balance.Depreciation on additions is charged from the date asset is available for use, till the date of its disposal.

3.2 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 and the cost of the asset can be measured reliably.

-Trading Rights Entitlement (TRE) Certificate

This is stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

-Computer software

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

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

Costs which enhance or extend the performance of computer software beyond its original specification and useful life is recognised as capital improvement and added to the original cost of the software.

Computer software and license costs are stated at cost less accumulated amortization and any identified impairment loss and amortized over a period of four years using the straight line method.

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

3.3 Impairment of non-financial assets

Assets that are subject to depreciation/amortisation 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 recognised 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 sale and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

3.4 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets as under:

a) **Amortised cost and effective interest method**

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

b) **Financial assets at fair value through other comprehensive income**

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

c) **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**

Derivative on Delivery Future Contract is measured at fair value and gain/(loss) recognized in profit/loss. Derivate is accounted in the books when initial investment is nil or much smaller than would be required for other types of contracts, value changes in response to change in underlying variable (stock price) and is settled at future date.

3.5 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for financial assets at FVTOCI, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

3.6 Financial liabilities

Financial liabilities other than those at fair value thrugh profit and loss are measured at amortised cost using the effective yield method.

3.7 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.

3.8 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.

3.9 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.

3.10 Cash and cash equivalents

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

3.11 Share capital

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

3.12 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.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.13 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.

3.14 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.

3.15 Provisions

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

3.16 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.

3.17 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.

3.18 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 yield on time proportion basis.

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

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

- Unrealized capital gains / (losses) arising from mark to market of investments classified as 'financial assets at fair
- Rental income from investment properties is recognised on accrual basis.

3.19 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.

4 PROPERTY PLANT AND EQUIPMENT

Period	Furnitires & Fixture	Office Equipment	Vehicle		Computer	Office Premises	Leasehold Improvement	Total
			Owned	Musharika				
As at June 30,2016								
Cost	4,783,851	4,741,413	3,213,530	20,436,367	9,626,366	10,234,440	11,875,000	64,910,967
Accumulated depreciation	(839,720)	(2,030,062)	(1,626,372)	(3,602,586)	(5,712,795)	(6,017,807)	(4,392,065)	(24,221,407)
Net Book Value	3,944,131	2,711,351	1,587,158	16,833,781	3,913,571	4,216,633	7,482,935	40,689,560
Year ended June 30,2017								
Opening net book value	3,944,131	2,711,351	1,587,158	16,833,781	3,913,571	4,216,633	7,482,935	40,689,560
Addition / transfer during the year	376,901	2,080,703	162,500	8,419,325	4,542,834	6,200,000	1,980,803	23,763,066
Depreciation for the year	(415,336)	(333,188)	(334,657)	(4,443,405)	(1,824,812)	(1,041,663)	(2,658,701)	(11,051,762)
Closing Net book value	3,905,696	4,458,866	1,415,001	20,809,701	6,631,593	9,374,970	6,805,037	53,400,864
As at June 30,2017								
Cost	5,160,752	6,822,116	3,376,030	28,855,692	14,169,200	16,434,440	13,855,803	88,674,033
Accumulated depreciation	(1,255,056)	(2,363,250)	(1,961,029)	(8,045,991)	(7,537,607)	(7,059,470)	(7,050,766)	(35,273,169)
Net Book Value	3,905,696	4,458,866	1,415,001	20,809,701	6,631,593	9,374,970	6,805,037	53,400,864
Year ended June 30,2018								
Opening net book value	3,905,696	4,458,866	1,415,001	20,809,701	6,631,593	9,374,970	6,805,037	53,400,864
Addition / transfer during the year	-	114,000	48,000	1,939,000	316,648	-	385,000	2,802,648
Disposal during the year								
Cost	-	(348,600)	-	-	(50,500)	-	-	(399,100)
Accumulated depreciation'	-	34,000	-	-	14,298	-	-	48,298
	-	(314,600)	-	-	(36,202)	-	-	(350,802)
Depreciation for the year	(390,570)	(445,698)	(292,600)	(3,934,628)	(2,043,344)	(937,497)	(2,396,439)	(10,440,776)
Closing Net book value	3,515,126	3,812,568	1,170,401	18,814,073	4,868,695	8,437,473	4,793,598	45,411,934
As at June 30,2018								
Cost	5,160,752	6,587,516	3,424,030	30,794,692	14,435,348	16,434,440	14,240,803	91,077,581
Accumulated depreciation	(1,645,626)	(2,774,948)	(2,253,629)	(11,980,619)	(9,566,653)	(7,996,967)	(9,447,205)	(45,665,647)
Net Book Value	3,515,126	3,812,568	1,170,401	18,814,073	4,868,695	8,437,473	4,793,598	45,411,934
Depreciation rates	10%	10%	20%	20%	30%	10%	33%	

5 INTANGIBLE ASSETS

	Note	2018	2017
		Rupees	
Membership card right and privileges			
-Dubai Gold Commodity Exchange Co.	*5.1*	**10,333,996**	10,333,996
-Trading Rights Entitlement (TRE) Certificate	*5.2*	**2,500,000**	3,894,750
-Computer software	*5.3*	**2,104,212**	2,630,266
		14,938,208	16,859,012

5.1 This represents the membership card purchased from the funds of the Company but its in the name of director. An agreement was reached between the Company and Director under which economic benefits originating from the asset would only be attributable and are under control of the Company.

5.2 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 (TRECs) 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 notice no. PSX/N-7178, dated november 10, 2017.

5.3 Computer Software

	2018	2017
	Rupees	
Net carrying amount		
Opening net book value	**2,630,266**	2,999,832
Additions during the year	**-**	256,000
Amortisation charge	**(526,054)**	(625,566)
Closing net book value	**2,104,212**	2,630,266
Gross carrying amount		
Cost	**4,604,510**	4,604,510
Accumulated amortisation	**(2,500,298)**	(1,974,244)
Net book value	**2,104,212**	2,630,266
Amortisation rate	**20%**	20%

6 LONG TERM INVESTMENTS

Qouted -FVTOCI			
Pakistan Stock Exchange Limited	*6.1*	**31,658,322**	41,163,833
Un-Qouted -At Cost			
National Asset Management Company	*6.2*	**30,127,296**	36,000,000
		61,785,618	77,163,833

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

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

Given the above, this investment has been classified as long term investment.

6.2 This represents Shares of National Asset Management Company (NAMCO) which were acquired when the collateral relating to short term loan amounting to Rs 36 million was realized in the form of shares of this NBFC. Shares are in the name of Director and not in Company's name in accordance to NBFC Rules 2003.An agreement was made between director and the Company under which the proceeds from sale of investment including gain/(loss) would be rendered back to Company. Shares are blocked but arrangement would be made for conversion into marketable lot and disposal in accordance to NBFC Rules 2003 as soon as economic condition of the above NBFC improves.

7 LONG TERM DEPOSITS

	Note	2018	2017
		Rupees	
Pakistan Stock Exchange Limited	*7.1*	**650,000**	650,000
National Clearing Company of Pakistan Ltd.	*7.2*	**800,000**	800,000
Central Depository Company of Pakistan		**300,000**	300,000
Future trading deposits		**1,000,000**	500,000
Advance for Plot & Offices	*7.3*	**6,903,077**	6,903,077
Other deposits		**3,451,071**	26,451,071
Rental Office Security Deposit		**1,887,761**	2,834,105
		14,991,909	38,438,253

M

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

7.2 This represents amount deposited as Basic deposit to National Clearing Company under Margin trading System.

7.3 This includes Advance paid for purchase of plot in Hawkes Bay. Plot was purchased for recreational activity of employees. Title of the property will be transferred to the Company after outstanding principle is paid. The entity will capitalize when it has paid the remainder of principle and is thus able to exercise legal enforceable right.

			2018	2017
8	**SHORT TERM INVESTMENTS - FVTPNL**	*Note*	Rupees	
	Investment in quoted equity securities	*8.1*	**364,632,662**	177,909,467

8.1 *Fair value of pledged securities with PSX are as follows:*

	Number of Securities	Value
Clients	**1,620,900**	29,235,874
Brokerage House	**7,017,300**	89,829,937
	8,638,200	119,065,811

8.2 *Fair value of pledged securities with financial institutions are as follows:*

	Number of Securities	Value
Clients	**18,183,560**	549,794,564
Brokerage House	**8,659,451**	286,913,083
	26,843,011	836,707,647

			2018	2017
9	**SHORT TERM INVESTMENTS - FVTOCI**	*Note*	Rupees	
	Investment in quoted securities		**1,963,281**	2,889,805
10	**TRADE DEBTS**			
	Considered good -Secured	*10.1*	**442,872,781**	1,142,150,917

10.1 ***Aging analysis of trade debts is as follows***

Upto five days	**44,781,100**	126,481,731
More than five days	**398,091,681**	1,015,669,186
	442,872,781	1,142,150,917

10.2 Trade debts includes Rs. 128.84 million (2017: Rs. 375.08 million) due from related parties. The Company holds capital securities having fair value of Rs. 890.04 million (2017: Rs. 3,754 million) owned by its clients, as collaterals against trade debts.

10.3 This include receivable against Marginal financing amounting to Rs. 113.709 million (2017: Rs. 464.27). The same is provided to client's on markup basis ranging from 10% to 12% (2017: NIL) per annum.

11 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2018	2017
		Rupees	
Advances			
Advance to staff		**21,229,429**	23,084,797
Advance against IPO		**-**	-
Deposits			
Exposure deposits	*11.1*	**65,282,690**	128,070,664
Lease deposits		**559,400**	2,567,097
Prepayments			
Prepaid Rent		**318,512**	3,594,143
Other receivables			
Receivable against financial advisory services		**209,227**	3,761,316
Due from Associates	*11.2*	**40,280,411**	42,016,711
Others		**4,725,765**	5,781,260
		132,605,434	208,875,988

11.1 This represents deposits held with PSX and NCCPL at the year end against exposure arisingin respect of trading in ready and future market and exposure margin against trade and sustained losses to date on Margin Trading Services.These deposits carry profit at the rates ranging from 3% to 4% (2017: 3% to 3.85%).

11.2 Due from Associates

	Note	2018	2017
		Rupees	
Intertechnologies (Private) Limited		**38,670,758**	40,531,517
Intermarket express (Private) limited		**1,609,653**	1,485,194
	11.2.1	**40,280,411**	42,016,711

11.2.1 Director of the company controls the above start up entities and advance has been provided after obtaining special resolution. This carry markup @ 8.38%, average borrowing cost of the company.

12 TAXATION - NET

	2018	2017
	Rupees	
Advance tax	**103,462,749**	102,481,560
Provision for taxation	**(16,084,785)**	(16,103,398)
	87,377,964	86,378,162

13 SHORT TERM LOAN

This represents balance amount due from an ex-client on account of interest free loan amounting to Rs 100 million. Collaterals amounting to Rs 49 million were realized from cash margin and transfer of shares of National Asset Management Company Limited. Balance outstanding is secured against commercial plot in Peshawar.

14 CASH AND BANK BALANCES

	Note	2018	2017
		Rupees	
Cash at bank			
- current account		**60,596,501**	195,321,682
- saving account		**210,032,183**	871,983
	14.1	**270,628,684**	196,193,665

14.1 Bank balances include customers' bank balances held in designated bank accounts amounting to Rs. 246.855 million (2017: Rs. 188.11 million).

15 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2018	2017		2018	2017
(Number of shares)			Rupees	
20,055,956	20,055,956	Ordinary shares of Rs.10/- each fully paid in cash	**200,559,560**	200,559,560
20,055,956	20,055,956		**200,559,560**	200,559,560

15.1 Pattern of shareholding

Categories of shareholders	2018 Number of shares held	2018 % of Shares held	2017 Number of shares held	2017 % of Shares held
Individuals				
Mr. Azeem Bilwani	**18,050,360**	**90.00%**	18,050,360	90.00%
Mr. Muhammad Jawed	**2,005,595**	**10.00%**	2,005,595	10.00%
Mr. Muhammad Hanif	**1**	**0.00%**	1	0.00%
	20,055,956	**100.00%**	20,055,956	100.00%

16 DIRECTOR'S SUBORDINATED LOAN

	Note	2018 Rupees	2017 Rupees
Opening balance		**366,944,842**	23,779,557
Add: Loan obtained during the year		**16,950,000**	500,955,500
Less : Remeaurement to fair value		**(5,414,115)**	(160,013,604)
Less :Impact of unwinding due to repayment of loan during the year		**(175,114,057)**	-
Add: Unwinding of director loan during the year		**22,721,121**	2,223,389
Closing Balance	*16.1*	**226,087,791**	366,944,842

16.1 These represents the unsecured loan of given by director of the Company as reduced by repayments.These loans had been measured to its present value using prevailing market rate of mark-up at for a similar instrument, having similar terms and credit risk profile, at the time the loan was granted.

17 LONG TERM FINANCE

	Note	2018 Rupees	2017 Rupees
Present value of Shirkat ul Melk cum Ijarah finance		**13,976,521**	16,962,514
Less : Current portion		**(4,836,946)**	(4,211,224)
	17.1	**9,139,575**	12,751,290

17.1 The above represents Ijara finance lease in respect of motor vehicles from Dubai Islamic Bank under which 80% of the Purchase price was borne by Lessor and the remainder borne by the Company. The lessor would remain owner of 80% undivided share in asset until all fixed and variable rentals are paid and the Company exercise its unconditional and irrevocable right of purchasing the asset after the expiry of five Lease periods.

Monthly rentals consist of fixed and variable Rental. Outstanding fixed rentals represent original principle, i.e 80% of purchase cost of leased vehicles less aggregate of Principle repayment and Variable Rental is equal to 12 month KIBOR +1.75% to 2.25% calculated on Outstanding Fixed Rent on 360 days basis.

The above finance facility is secured by personal guarantee of all directors along with personal net worth settlement, postdated cheques for 6 months, 20% of equity participation and 80% ownership title of leased vehicles.

17.2 The amount of future rentals in respect of ijara finance and the period in which these rentals will become due are as follows:

	Minimum Ijara rentals	Ijara finance payments allocated to future period	Present Value of Ijara Finance 2018	Present Value of Ijara Finance 2017
	Rupees			
Not later than one year	**5,849,788**	**1,012,842**	**4,836,946**	4,211,224
Later than one year but not later than five year	**10,031,082**	**891,507**	**9,139,575**	12,751,290
	15,880,870	**1,904,349**	**13,976,521**	16,962,514

18 DEFERRED TAXATION

	Note	2018	2017
		Rupees	
Deductable / (taxable) temporary difference arising in			
Accelerated tax depreciation / amortisation		**8,537,937**	7,095,788
Unrealise gain /(loss) on remeasurement of investments		**893,701**	(2,653,694)
Amortisation of Director Loan		**23,045,313**	50,403,197
Long term finance (Ijara)		**(4,192,956)**	(5,088,754)
	18.1	**28,283,995**	49,756,537

18.1 Movement in Deferred tax liability

	2018	2017
Opening balance	**49,756,537**	16,370,111
Deferred tax expense / (income) charged to profit and loss	**(930,994)**	(14,617,655)
Deferred tax (income) / expense charged to equity	**(20,541,548)**	48,004,081
Closing balance	**28,283,995**	49,756,537

19 SHORT TERM BORROWINGS - SECURED

	Note	2018	2017
NIB Bank Ltd		-	176,152,909
Summit Bank Ltd		**95,972,405**	180,058,015
JS Bank Ltd		**133,646,208**	70,970,708
	19.1	**229,618,613**	427,181,632

19.1 Short term running finance facilities are available from commercial banks, under mark-up arrangements, amounting to Rs. 875 million (2017: Rs. 1,200 million). These arrangements are secured against pledge of marketable securities with 30% to 40% margin and personal guarantee of directors. These running finance facilities carry mark-up ranging from 3 month KIBOR +2.0% to 2.5% (2017: 3 month KIBOR +2% to 2.5%) calculated on a daily product basis.

20 TRADE AND OTHER PAYABLES

	2018	2017
	Rupees	
Creditors	**241,974,433**	184,418,530
Other Liabilities	**49,522,297**	47,067,223
Worker's Welfare Fund payable	**8,866,095**	8,866,095
	300,362,825	240,351,848

21 DIRECTOR'S LOAN

This represents director's loans that is interest-free and repayable on-demand

22 CONTINGENCIES AND COMMITMENTS

No material contingencies and commitments existing as at June 30, 2018.

23 OPERATING REVENUE

	Note	2018	2017
		Rupees	
Brokerage income		**171,398,318**	297,578,065
Dividend income		**4,138,612**	2,108,103
Underwriting & Financial Advisory Services		**15,178,746**	5,751,843
IPO Commission		**4,839**	377,649
MFS Income		**27,160,895**	26,671,175
		217,881,410	332,486,835

24 ADMINISTRATIVE EXPENSES

	Note	2018	2017
Salaries, commission, benefits and allowances		**143,702,428**	188,108,054
Director remuneration	29	**8,917,147**	4,618,000
PSX rent, electricity and service charges		**213,224**	354,570
CDC and NCCPL Charges.		**5,847,303**	29,031,675
Printing and stationery		**863,300**	1,053,933
Legal and Professional charges		**8,224,014**	15,148,931
Communication expenses		**18,861,317**	9,316,951
Audit Fees		**500,000**	500,000
Rent, rates and taxes		**8,735,488**	5,801,074
Entertainment expense		**1,443,698**	989,482
Utility expense		**4,500,771**	3,244,896
Repair and maintenance		**316,032**	442,970
Traveling and conveyance expenses		**2,597,679**	5,416,944
Postage and courier		**324,073**	134,671
Bad debts written off		**661,157**	10,066,619
Depreciation	4	**10,440,776**	11,051,762
Amortization	5	**526,054**	625,566
Vehicle maintenance expense		**863,817**	758,946
Branch expenses		**1,461,859**	603,286
Impairment of National Asset Management Company		**5,872,704**	-
Impairment of TREC		**1,394,750**	-
Miscellaneous expense		**4,825,002**	6,264,761
		231,092,593	293,533,091

25 FINANCE COST

	Note	2018	2017
Mark up on short term borrowing & bank charges	19	**34,759,841**	59,113,334
Mark up on long term finance	17	**1,320,366**	1,279,248
Unwinding of Director loan	16	**22,721,121**	2,223,389
		58,801,328	62,615,971

26 OTHER INCOME

	2018	2017
Interest income	**3,648,403**	**2,157,028**

26.1 This represents interest Income accrued on loan provided to associate (refer note 11.2)

27 TAXATION

	2018	2017
	Rupees	
Current year	**16,084,785**	19,215,494
Prior years	**-**	(3,112,096)
Deferred	**(930,994)**	(14,617,655)
	15,153,791	1,485,743

27.1 The income tax assessments of the Company have been finalised up to and including the tax year 2017. Tax returns are deemed to be assessed under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select the deemed assessment order for audit.

27.2 The numerical reconciliation between the tax expense and accounting profit has not been presented as the total income of the company attracted presumptive tax and minimum tax under Section 113 of the income tax ordinance, 2001. Further, comparison of last three years of income tax provision with tax assessed is presented below:

Accounting year	Tax year	Provision for taxation	Tax assessed
		Rupees	
June 30, 2017	2017	19,215,494	4,641,602
June 30, 2016	2016	24,969,358	21,857,262
June 30, 2015	2015	10,993,050	10,994,147

28 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of associated companies, key management personnel and directors and their close family members, major shareholders of the Company and staff provident fund. 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 while contribution to the provident fund is in accordance with staff service rules. Remuneration of the chief executive, directors and executives is disclosed in note 29 to the financial statements. Transactions with related parties during the year other than those disclosed elsewhere in the financial statements are as follows:

	2018	2017
Associated undertakings	Rupees	
Transactions during the year		
Loan / Advance to associates	**(2,284,492)**	29,600,846
Interest accrued on loan / advance to associate	**3,072,116**	2,157,028
Balance outstanding	**39,732,219**	45,133,740
Key Management personnel		
Transactions during the year		
Brokerage Commission earned	**17,983,182**	-
Loan obtained from director	**16,950,000**	594,489,980
Loan repaid to director	**(249,000,000)**	-
Advance given to employees	**(12,137,912)**	16,155,765
Balance outstanding	**(85,109,395)**	(605,405,183)

29 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

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:

Particulars	Chief Executive		Director		Total	
	2018	2017	2018	2017	2018	2017
	Rupees					
Basic salary	**7,133,717**	2,947,800	-	1,800,000	**7,133,717**	4,747,800
House allowance	**642,035**	135,252	-	660,000	**642,035**	795,252
Utility allowance	**428,023**	90,168	-	540,000	**428,023**	630,168
Medical Allowance	**713,372**	294,780	-	-	**713,372**	294,780
	8,917,147	3,468,000	-	3,000,000	**8,917,147**	6,468,000
Number of persons	**1**	1	**0**	2	**1**	**3**

29.1 The Company has also provided its Chief Executive, directors and certain executives with Company maintained car.

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30 FINANCIAL INSTRUMENTS

30.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest/mark-up rate risk and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk the Company has developed a policy of obtaining advance payments from its customers. Except for customers relating to the Government and certain small and medium sized enterprises, the management strictly adheres to this policy. For any balances receivable from such small and medium sized enterprises, the management continuously monitors the credit exposure towards them and makes provisions against those balances considered doubtful of recovery. Cash is held only with banks with high quality credit worthiness.

The maximum exposure to credit risk at the reporting date is as follows:

	2018	2017
	Rupees	
Long term deposits	**14,991,909**	38,438,253
Trade debts	**442,872,781**	1,142,150,917
Advances, Trade deposits and other receivables	**132,605,434**	200,009,893
Bank balances	**270,628,684**	196,193,665
	861,098,808	1,576,792,728

Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors considered good do not require any impairment except for already provided. None of the other financial assets are either past due or impaired.The aging of trade debts at the reporting date is disclosed in note 10.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments:

	Carrying value	Contractual cash flows Total	Up to one year	More than one year
		Rupees		
Directors' Subordinated loan	**226,087,791**	**302,905,500**	**-**	**302,905,500**
Long term finance	**13,976,521**	**15,880,870**	**5,849,788**	**10,031,082**
Short term borrowings - secured	**229,618,613**	**229,618,613**	**229,618,613**	**-**
Trade and other payables	**300,362,825**	**300,362,825**	**300,362,825**	**-**
Accrued markup	**6,002,786**	**6,002,786**	**6,002,786**	**-**
June 30, 2018	**776,048,536**	**854,770,594**	**541,834,012**	**312,936,582**
Directors' Subordinated loan	460,479,322	534,955,500	249,000,000	285,955,500
Long term finance	16,962,514	19,784,534	5,455,534	14,329,000
Short term borrowings - secured	427,181,632	(427,181,632)	(427,181,632)	-
Trade and other payables	240,351,848	(240,351,848)	(240,351,848)	-
Accrued markup	9,256,055	(9,256,055)	(9,256,055)	-
June 30, 2017	1,154,231,371	(122,049,501)	(422,334,001)	300,284,500

Contractual cash flows include tentative interest payments to be made up to the maturity of relevant facilities. The future interest related cash flows depend on the interest rates applicable at that time and the extent of utilization of running finance facilities.

(iii) Market risk

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

(a) Currency risk

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

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks and term deposits with banks. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments is as follows:

	2018	2017	**2018**	2017
	Effective interest rate (%)		**Carrying amounts (Rupees.)**	
Financial assets				
Bank deposits - *pls account*	3.5% to 4.5%	3.5% to 4.5%	210,032,183	871,983
Financial liabilities				
Short term borrowings	8% to 9.5%	6% to 9%	229,618,613	427,181,632
Ijara finance	8% to 9.5%	6% to 9%	13,976,521	16,962,514

As at balance sheet date, the Company does not hold any fixed rate interest based financial assets or liabilities carried at fair value.

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A change of 100 basis points in interest rates at the reporting date would have increase / decrease profit / loss by 0.34 million (2017: 4.43 million). This analysis assumes that all other variables remain constant. This is mainly attributable to the company's exposure to interest rates on its variable rate borrowings

(c) Price risk

Price risk includes equity price risk which is the risk of changes in the fair value of equity securities as a result of changes in levels of Pakistan Stock Exchange-Index and the value of individual shares.

The table below summarises the Company's equity price risk as at June 30, 2018 and shows the effect of a hypothetical 5% increase or decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenario.

		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*	**366,595,943**	**5% increase**	**384,925,740**	**18,329,797**	**15,580,327**
June 30, 2017	*Rupees*	180,799,272	5% increase	189,839,236	9,039,964	7,683,969

30.2 Financial instruments by category

The table below provides reconciliation of the line items in the Company's statement of financial position to the categories of financial instruments.

	2018		
	At fair value 'through profit or loss'	At Amortised cost	At fair value 'through OCI'
		Rupees	
June 30, 2018			
Financial assets			
Long term investments	-	30,127,296	31,658,322
Long term deposits	-	14,991,909	-
Short term Investments	364,632,662	-	1,963,281
Trade debts	-	442,872,781	-
Advances, deposits and other receivables	-	132,286,922	-
Short term loan	-	61,456,012	-
Cash and bank balances	-	270,628,684	-
	364,632,662	952,363,604	33,621,603
Financial liabilities			
Directors' loan	-	226,087,791	-
Long term finance	-	9,139,575	-
Short term borrowings - secured	-	229,618,613	-
Trade and other payables	-	300,362,825	-
Current maturity of long term finance	-	4,836,946	-
Accrued markup	-	6,002,786	-
	-	776,048,536	-

	2017		
	At fair value 'through profit or loss'	At Amortised cost	Available for sale
		Rupees	
June 30, 2017			
Financial assets			
Long term investments	-	36,000,000	41,163,833
Long term deposits	-	38,438,253	-
Short term Investments	177,909,467	-	2,889,805
Trade debts	-	1,142,150,917	-
Advances, deposits and other receivables	-	205,281,845	-
Short term loan	-	61,456,012	-
Cash and bank balances	-	196,193,665	-
	177,909,467	1,679,520,692	44,053,638
Financial liabilities			
Directors' loan	-	460,479,322	-
Long term finance	-	12,751,290	-
Short term borrowings - secured	-	427,181,632	-
Trade and other payables	-	240,351,848	-
Current maturity of long term finance	-	4,211,224	-
Accrued markup	-	9,256,055	-
	-	1,154,231,371	-

30.3 Measurement of fair values

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of an asset or a liability, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in 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 table below analyses equity instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Level 1	Level 2	Level 3	Total
June 30, 2018	Rupees			
Financial assets	398,254,265	-	30,127,296	428,381,561

	Level 1	Level 2	Level 3	Total
June 30, 2017	Rupees			
Financial assets	221,963,105	-	36,000,000	257,963,105

During the year ended June 30, 2018, the Company did not acquire any new shares of investee companies classified in level 3.

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	**1,498,664,487**	2,062,821,228
Less: Total liabilities	**804,332,531**	1,203,987,908
Less: Revaluation Reserves (created upon revaluation of fixed assets)	**-**	-
Capital adequacy level	**694,331,956**	858,833,320

31.2 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.

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32 NUMBER OF EMPLOYEES

Number of persons employed by the Company as on the year end are 73 (2017: 86) and average number of employees during the year are 80 (2017: 572).

33 APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue on **September 26, 2018** by board of directors of the Company.

34 GENERAL

34.1 The corresponding figures have been rearranged and reclassified, wherever considered necessary for the purposes of comparison and better presentation. Following major reclassification has been made:

Reclassified from component	**Reclassified to component**	**—— Rupees ——**
Advances, deposits, prepayments and other receivables	*Trade and other payables*	
Worker's Welfare Fund payable	Worker's Welfare Fund payable	8,866,095

34.2 Figures have been rounded off to the nearest rupee.

Noor Hameed

CHIEF EXECUTIVE

DIRECTOR