KPMG Taseer Hadi & Co.
Chartered Accountants

AL Habib Capital Markets (Private) Limited

Financial Statements
For the year ended 30 June 2018

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

To the members of AL Habib Capital Markets (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of AL Habib Capital Markets (Private) Limited (the Company), which comprise the statement of financial position as at 30 June 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, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, 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 30 June 2018 and of the loss, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of 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;

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

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

KPMG Taseer Hadi & Co.

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

KPMG Taseer Hadi & Co.

Date: 3 October 2018

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

AL Habib Capital Markets (Private) Limited
Statement of Financial Position
As at 30 June 2018

	Note	30 June 2018	30 June 2017
		---------- (Rupees) ----------	
ASSETS			
Non-Current Assets			
Property and equipment	4	**8,496,866**	9,054,271
Intangible assets	5	**2,722,917**	3,789,625
Long term investments - available for sale	6	**31,658,322**	41,163,833
Long term loans, advances and deposits	7	**1,561,500**	1,109,805
Deferred tax asset - net	8	**5,712,193**	4,487,620
		50,151,798	59,605,154
Current Assets			
Short term investments - available for sale	9	**250,350,569**	225,086,122
Trade receivables	10	**30,005,906**	25,451,196
Loans and advances	11	**1,312,108**	225,483
Deposits and prepayments	12	**43,750,489**	40,560,937
Other financial assets	13	**-**	13,776,437
Taxation	24.4	**23,771,694**	21,326,690
Cash and bank balances	14	**54,425,518**	72,186,645
		403,616,284	398,613,510
Total Assets		**453,768,082**	458,218,664
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
50,000,000 (30 June 2017: 50,000,000) ordinary shares of Rs. 10 each	15.1	**500,000,000**	500,000,000
Issued, subscribed and paid-up capital	15.2	**300,000,000**	300,000,000
Unrealized gain on re-measurement of investments - net	16	**14,972,536**	37,397,220
Un-appropriated profit		**36,515,358**	53,783,887
		351,487,894	391,181,107
Current Liabilities			
Short term financing	17	**-**	-
Trade and other payables	18	**99,522,296**	63,683,586
Accrued liabilities		**2,757,892**	3,353,971
		102,280,188	67,037,557
Contingencies and commitments	19		
Total equity and liabilities		**453,768,082**	458,218,664

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

Chairman

Chief Executive

AL Habib Capital Markets (Private) Limited
Statement of Profit or Loss
For the year ended 30 June 2018

	Note	30 June 2018	30 June 2017
		---------------- (Rupees) ----------------	
INCOME			
Brokerage revenue - net	20	**28,387,862**	32,912,775
Share subscription income		**407,241**	1,300,860
Dividend income		**5,992,789**	4,511,463
Interest income from Pakistan Investment Bonds		**789,688**	15,225,160
Interest income from Market Treasury Bills		**7,168,972**	-
Profit on saving and deposit accounts		**2,321,839**	1,237,618
Gain on sale of investments		**3,738,386**	47,820,116
Other income	21	**1,379,397**	258,407
		50,186,174	103,266,399
EXPENSES			
Administrative expenses	22	**(60,384,782)**	(56,832,686)
Provision for Workers' Welfare Fund		**-**	(509,179)
Finance cost	23	**(234,941)**	(561,049)
		(60,619,723)	(57,902,914)
Provision for impairment of Trading Right Entitlement (TRE) Certificate	5	**-**	(12,500,000)
Provision for impairment on investments - available for sale	9.1	**(2,554,238)**	-
Reversal / (provision) for impairment of advance against Dubai Gold and Commodities Exchange membership (DGCX)	7.2	**1,646,068**	(7,913,725)
(LOSS) / PROFIT BEFORE INCOME TAX		**(11,341,719)**	24,949,760
Income tax expense			
- Current tax		**(5,609,251)**	(6,876,576)
- Deferred tax		**(495,184)**	(3,129,228)
- Prior year tax		**177,625**	-
	24	**(5,926,810)**	(10,005,804)
(LOSS) / PROFIT FOR THE YEAR		**(17,268,529)**	14,943,956
(Loss) / earnings per share - basic and diluted	25	**(0.576)**	0.498

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

Chairman

Chief Executive

AL Habib Capital Markets (Private) Limited
Statement of Comprehensive Income
For the year ended 30 June 2018

	30 June 2018	30 June 2017
	(Rupees)	
(Loss) / profit for the year	**(17,268,529)**	14,943,956
Other comprehensive income:		
Items that may be reclassified to statement of profit or loss		
Unrealized (loss) / gain on re-measurement of investments - net of tax	**(22,424,684)**	21,482,672
Total comprehensive income for the year	**(39,693,213)**	36,426,628

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

Chairman

Chief Executive

AL Habib Capital Markets (Private) Limited
Statement of Cash Flows
For the year ended 30 June 2018

	Note	30 June 2018	30 June 2017
		----------------- (Rupees) -----------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before income tax		**(11,341,719)**	24,949,760
Adjustment for:			
Depreciation of property and equipment	22	**1,624,675**	1,456,570
Amortisation of intangible assets	22	**1,116,708**	945,500
(Reversal) / provision for advance against Dubai Gold and Commodities Exchange membership		**(1,646,068)**	7,913,725
Impairment of TREC		**-**	12,500,000
Provision for impairment on investments - available for sale	9.1	**2,554,238**	-
Finance cost	23	**234,941**	561,049
Amortisation on Pakistan Investment Bonds		**57,136**	1,096,166
Gain on disposal of property and equipment	21	**(42,000)**	-
Gain on sale of investments		**(3,738,386)**	(47,820,116)
		161,244	(23,347,106)
Operating (loss) / profit before working capital changes		**(11,180,475)**	1,602,654
Working capital changes:			
(Increase) / decrease in current assets			
Trade receivables		**(4,554,710)**	19,216,873
Loans and advances		**(1,086,625)**	707,237
Deposits and prepayments		**(3,189,552)**	(34,340,199)
Other financial assets		**13,776,437**	(6,357,241)
		4,945,550	(20,773,330)
		(6,234,925)	(19,170,676)
Increase / (decrease) in current liabilities			
Trade and other payables		**35,853,378**	11,268,619
Accrued liabilities		**(596,079)**	887,503
		35,257,299	12,156,122
Net cash inflow / (outflow) from operations		**29,022,374**	(7,014,554)
Long term loans, advances and deposits		**(451,695)**	(396,449)
Finance cost paid		**(249,610)**	(662,588)
Taxes paid		**(7,876,630)**	(8,791,859)
		(8,577,935)	(9,850,896)
Net cash inflow / (outflow) from operating activities		**20,444,439**	(16,865,450)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments made during the year		**(540,223,055)**	(57,263,513)
Investments disposed off during the year		**501,446,691**	115,886,453
Proceeds from disposal of DGCX membership		**1,646,068**	-
Proceeds from disposal of property and equipment		**42,000**	-
Purchase of property and equipment	4	**(1,067,270)**	(816,975)
Purchase of intangible assets	5	**(50,000)**	(2,100,000)
Net cash (outflow) / inflow from investing activities		**(38,205,566)**	55,705,965
Net (decrease) / increase in cash and cash equivalents during the year		**(17,761,127)**	38,840,515
Cash and cash equivalents at beginning of the year		**72,186,645**	33,346,130
Cash and cash equivalents at end of the year	14.1	**54,425,518**	72,186,645

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

Chairman

Chief Executive

AL Habib Capital Markets (Private) Limited
Statement of Changes in Equity
For the year ended 30 June 2018

	Issued, subscribed and paid-up capital	Unrealised gain on re-measurement of investments	Un-appropriated profit	Total
	----------	---------- (Rupees)	----------	----------
Balance as at 1 July 2016	300,000,000	15,914,548	38,839,931	354,754,479
Total comprehensive income for the year				
Profit for the year ended 30 June 2017	-	-	14,943,956	14,943,956
Other comprehensive income	-	21,482,672	-	21,482,672
Total comprehensive income for the year	-	21,482,672	14,943,956	36,426,628
Balance as at 30 June 2017	300,000,000	37,397,220	53,783,887	391,181,107
Total comprehensive income for the year				
Loss for the year ended 30 June 2018	-	-	(17,268,529)	(17,268,529)
Other comprehensive income	-	(22,424,684)	-	(22,424,684)
Total comprehensive income for the year	-	(22,424,684)	(17,268,529)	(39,693,213)
Balance as at 30 June 2018	**300,000,000**	**14,972,536**	**36,515,358**	**351,487,894**

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

Chairman

Chief Executive

1 LEGAL STATUS AND NATURE OF BUSINESS

AL Habib Capital Markets (Private) Limited ("the Company") was incorporated in Pakistan on 23 August 2005 as a private limited company under the Companies Act, 2017 (previously Companies Ordinance, 1984) and started operations from 14 December 2005. The Company is a subsidiary of Bank AL Habib Limited (the Holding Company) which holds 66.67% of shares of the Company. The registered office of the Company is located at Technocity, Hasrat Mohani Road, Karachi, Pakistan. Also, the Company owns room no.16 at Pakistan Stock Exchange Building, Karachi.The Company holds a Trading Right Entitlement (TRE) Certificate from Pakistan Stock Exchange Limited - PSX and is principally engaged in the business of stocks broking. Other activities includes investment in a mix of listed and unlisted equity securities, economic research and advisory services.

1.1 Significant transactions and events affecting the Company's financial position and performance

a) Due to the first time application of financial reporting requirements under the Companies Act, 2017 (the Act) including disclsoure and presentation requirements of the fourth schedule of the Act.

b) During the year, the Company sold its Dubai Gold and Commodities Exchange membership (DGCX) to the House of Commodities FZCO (refer note 7.2).

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

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

- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of 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 investments that are carried at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is also the functional currency of the Company and have been rounded off to the nearest Rupee.

2.4 Use of estimates and judgments

The preparation of these financial statements in conformity with accounting and 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.

The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

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- Property and equipments (Note 3.1 and 4)
- Useful lives and impairment of intangible assets (Note 3.3 and 5)
- Classification, valuation and impairment of investments (Note 3.5, 3.6, 3.10, 9 and 16)
- Provision against trade receivables and other financial assets (Note 3.4)
- Staff Retirement benefits and compensated absences (Note 3.13)
- Current and deferred taxation (Note 3.11, 8 and 24)
- Contingent liabilities (Note 3.18 and 19)

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

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

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

- The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual financial statements of the Company. The disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the elimination of duplicative disclosures with the IFRS disclosure requirements; and incorporation of significant additional disclosures which have been included in these financial statements.

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

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

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

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 the 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 the 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 the 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 the 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 the 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.

- 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.

- 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 the 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.

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- 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 the Company's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below:

3.1 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment, if any.

Depreciation is charged applying the straight line method at the rates specified in note 4 to these financial statements which are considered appropriate to write off the cost of the assets over their useful economic lives.

Proportionate depreciation is charged in respect of additions and disposals made during the year. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Maintenance and normal repairs are charged to statement of profit or loss. Major renewals and improvements are capitalized.

Gains and losses on disposal of assets, if any, are determined by comparing the sale proceeds with the carrying values and are charged to statement of profit or loss.

3.2 Operating leases / Ijarah agreements

The Company accounts for assets under Ijarah arrangements in accordance with IFAS-2 "Ijarah" whereby periodic Ijarah payments for such assets are recognized as an expense in the statement of profit and loss on straight line basis over the ijarah term.

3.3 Intangible assets

These represent computer software, website developed and Trading Right Entitlement (TRE) Certificate.

Computer software and website developed are recognized in the financial statements, if and only if, it is probable that future economic benefits that are attributable to the assets will flow to the Company; and the cost of the assets can be measured reliably. These are carried at cost less accumulated amortization and impairment, if any. Amortization of computer software and website developed is charged to profit and loss account for the year on a straight line basis at the rates specified in note 5. The amortization period and the amortization method for intangible assets with finite useful life are reviewed, and adjusted if appropriate.

Details of the basis of valuation of the Trading Right Entitlement (TRE) Certificate is given in note 5 to these financial statements.

3.4 Trade receivables and other financial assets

Debts originated by the Company are recognized and carried at original invoice amount (which generally equals the fair value) less any amount written off or provision made for debts considered doubtful. Trade receivables and other financial assets considered irrecoverable are written off.

3.5 Investments

Investments in securities are initially recognized at cost, being the fair value of the consideration given, including the transaction costs associated with the investment, except in case of investments at fair value through profit or loss, in which case these transaction costs are charged to the statement of profit or loss. All regular way purchases and sales of investments are recognized / derecognized on the trade date. These are classified and measured as follows:

Investments at fair value through profit or loss

Investments classified as 'investments at fair value through profit or loss' are carried at fair value. Gain / loss on re-measurement of such investments to fair value is recognised in the statement of profit or loss

Held-to-maturity

Investment securities with fixed maturities and fixed or determinable payments are classified as held-to-maturity investments when management has both the intention and ability to hold to maturity. After initial recognition, these investments are carried at amortised cost less any provision for impairment.

Available-for-sale

Investments which are not classified in any of the preceding categories are classified as available-for-sale investments. After initial recognition, these investments are re-measured at fair value. Surplus / deficit arising from re-measurement is taken to other comprehensive income until the investments are sold / disposed-off or until the investments are determined to be impaired, at which time, cumulative gain or loss previously reported in the other comprehensive income is included in the current year's statement of profit or loss

If, in a subsequent period, the fair value of an investment increases and the increase can be objectively related to an event occurring after the impairment loss recognised in profit and loss, the impairment loss is reversed, with the amount of the reversal recognised in profit and loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

Details of the basis of valuation of the investment in shares of Pakistan Stock Exchange Limited are given in note 6 to these financial statements.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Company as fair value through profit or loss or available for sale. These are carried at amortised cost using effective yield method, less impairment losses, if any.

3.6 Impairment

Equity Securities

The Company assesses at each reporting date whether there is objective evidence that the financial asset is impaired. In case of equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the security is impaired. If any such evidence exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in statement of profit or loss is reclassified from other comprehensive income to statement of profit and loss.

Debt Securities

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated recoverable amount. The recoverable amount represents present value of future cash flows discounted at original rate of return. An impairment is recognised in profit and loss account whenever the carrying value of asset exceeds its recoverable amount.

Non-Financial assets

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of profit or loss.

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An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Financial instruments

All financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to statement of profit or loss

3.8 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are off set and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also accordingly offset.

3.9 Revenue recognition

- Brokerage, commission, consultancy and advisory fee are recognised as and when such services are rendered.
- Income from government securities is recognised on time proportion basis taking into account the effective yield.
- Gain / loss arising on disposal of investments is included in income and is accounted for on the date at which the transaction takes place.
- Mark-up income, return on bank deposits and balances are recognised on accrual basis taking into account the effective yield.
- Dividend income is recorded when the right to receive the dividend is established.

3.10 Non current assets held for sale

Non current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell except financial assets which are re-measured at fair values. Changes in fair value of financial assets classified as held for sale are recognised in equity until derecognised or impaired, then the accumulated fair value adjustments recognised in equity are included in the statement of profit or loss

3.11 Taxation

Current

The charge for taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any, in accordance with Income Tax Ordinance, 2001.

Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the tax base. This is recognized on the basis of expected manner of the realization and the settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

Deferred tax, if any, on revaluation of investments is recognised as an adjustment to surplus / deficit arising on revaluation.

3.12 Dividends distributions and appropriations

Dividends and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

3.13 Staff retirement benefits

3.13.1 Defined contribution plan

The Company provides provident fund benefits to all its permanant employees. Equal contributions are made, both by the Company and the employees, at the rate of 10% of basic salary and the same is charged to the statement of profit or loss.

3.13.2 Employee compensated absences

Employee entitlements to annual leaves are recognised when they accrue to employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees upto the reporting date.

3.14 Cash and cash equivalents

Cash in hand and at banks is carried at cost. For the purposes of statement of cash flows, cash and cash equivalents comprises of cash in hand, bank balances, short term financing which are repayable on demand and other short term highly liquid investments with original maturities of three months or less, if any.

3.15 Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange prevailing at the reporting date. Transactions in foreign currencies are converted into Pak rupees at the rates of exchange prevailing at the transaction date. Exchange gains or losses are taken to statement of profit or loss. Non monetary-items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.16 Provisions

Provisions are recognised when the Company has a legal or constructive present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation of which reliable estimate of the amount can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in the statement of profit or loss.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

3.17 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost.

3.18 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4 PROPERTY AND EQUIPMENT

	Note	30 June 2018 Cost: As at 01 July 2017	Additions	Disposals	As at 30 June 2018	Accumulated depreciation: As at 01 July 2017	Charge for the year	Disposals	As at 30 June 2018	Written down As at 30 June 2018	Rate of depreciation per annum
		(Rupees)									%
Room and booths	4.2	14,500,000	-	-	14,500,000	8,337,500	725,000	-	9,062,500	5,437,500	5
Motor vehicles		1,309,900	-	-	1,309,900	319,875	261,987	-	581,862	728,038	20
Furniture and fixtures		2,231,792	293,090	-	2,524,882	1,692,345	164,999	-	1,857,344	667,538	10
Office equipments		6,623,572	208,550	(458,882)	6,373,240	5,725,978	232,114	(458,882)	5,499,210	874,030	20
Computer equipment		5,740,265	585,630	-	6,325,895	5,275,960	240,615	-	5,516,575	809,320	20
		30,405,529	1,087,270	(458,882)	31,033,917	21,351,658	1,624,715	(458,882)	22,517,491	8,516,426	

	Note	30 June 2017 Cost: As at 01 July 2016	Additions	Disposals	As at 30 June 2017	Accumulated depreciation: As at 01 July 2016	Charge for the year	Disposals	As at 30 June 2017	Written down value as at 30 June 2017	Rate of depreciation per annum
		(Rupees)									%
Room and booths	4.2	14,500,000	-	-	14,500,000	7,612,500	725,000	-	8,337,500	6,162,500	5
Motor vehicles		1,309,900	-	-	1,309,900	68,115	251,760	-	319,875	990,025	20
Furniture and fixtures		1,958,467	273,325	-	2,231,792	1,554,145	138,200	-	1,692,345	539,447	10
Office equipments		6,203,322	420,250	-	6,623,572	5,551,622	174,356	-	5,725,978	897,594	20
Computer equipment		5,617,765	122,500	-	5,740,265	5,108,706	167,254	-	5,275,960	464,305	20
		29,589,454	816,075	-	30,405,529	19,895,088	1,456,570	-	21,351,658	9,053,871	

4.1 The cost of fully depreciated assets as at 30 June 2018 is Rs. 10.884 million (30 June 2017: Rs. 10.938 million).

4.2 The rights to occupy room and booth no. 16 in Pakistan Stock Exchange building were acquired through lease and license agreement for the purpose of the Company's business. The Pakistan Stock Exchange Limited, as the lessee of the building, has sub-leased the said room in favour of the Company.

5 INTANGIBLE ASSETS

	Note	30 June 2018 Cost: As at 1 July 2017	Additions	Disposal/ Write off	As at 30 June 2018	Accumulated amortization / impairment: As at 01 July 2017	Charge for the year	Disposal/ Write off	As at 30 June 2018	Written down Value as at 30 June 2018	Rate of amortization per annum
		(Rupees)									%
Website		125,000	50,000	-	175,000	125,000	2,083	-	127,083	47,917	50
Computer software		3,199,849	-	-	3,199,849	1,910,224	1,114,625	-	3,024,849	175,000	50
Trading Right Entitlement (TRE) Certificate	5.2 & 5.3	17,158,785	-	(14,658,785)	2,500,000	14,658,785	-	(14,658,785)	-	2,500,000	-
		20,483,634	50,000	(14,658,785)	5,874,849	16,694,009	1,116,708	(14,658,785)	3,151,932	2,722,917	

	Note	30 June 2017 Cost: As at 01 July 2016	Additions	Disposal/ Write off	As at 30 June 2017	Accumulated amortization / impairment: As at 01 July 2016	Charge for the year	Disposal/ Write off	As at 30 June 2017	Written down value as at 30 June 2017	Rate of amortization per annum
		(Rupees)									%
Website		125,000	-	-	125,000	125,000	-	-	125,000	-	50
Computer software		1,099,849	2,100,000	-	3,199,849	964,724	945,500	-	1,910,224	1,289,625	50
Trading Right Entitlement (TRE) Certificate	5.2 & 5.3	17,158,785	-	-	17,158,785	2,158,785	12,500,000	-	14,658,785	2,500,000	-
		18,383,634	2,100,000	-	20,483,634	3,248,509	13,445,500	-	16,694,009	3,789,625	

5.1 The cost of fully amortized intangible assets as at 30 June 2018 is Rs. 1.099 million (30 June 2017: Rs. 1.084 million).

5.2 This represents TRE Certificate acquired on surrender of Stock Exchange Membership Card. For details refer note 6.

PSX vide notice no. PSX/N- 7178, dated 10 November 2017, has revised the notional value of TRE Certificate from Rs. 5 million to Rs. 2.5 million. According to the Stock Exchange (Corporatisation, Demutualisation and Integration) Act 2012, the TRE Certificate may only be transferred once to a company intending to carry out shares brokerage business in the manner to be prescribed. Upto 31 December 2019, the Stock Exchange shall offer for issuance, 15 TRE Certificates each year in the manner prescribed. After 2019, no restriction shall be placed on issuance of TRE Certificate. The Company has marked lien on TRE Certificate in favour of the Pakistan Stock Exchange Limited (PSX) to fulfil the requirement of Base Minimum Capital.

5.3 During the year, the Company has written off the TRE certificate with the amount of Rs. 14.66 million (2017: Rs. Nil).

6 LONG TERM INVESTMENTS - AVAILABLE FOR SALE

30 June 2018	30 June 2017		Note	30 June 2018	30 June 2017
------ (Number of Shares) ------				------ (Rupees) ------	
1,602,953	4,007,383	Opening balance		**16,151,354**	40,378,391
-	(1,602,953)	Sold to strategic investor (Nil) (June 2017: 40%)		-	(16,151,355)
-	(801,477)	Sold to general public (Nil) (June 2017: 20%)		-	(8,075,682)
1,602,953	1,602,953	Closing balance represents 40% shares (June 2017: 40% shares) **	6.1	**16,151,354**	16,151,354

** ***Market value basis***

Book value as of 30 June 2018	**16,151,354**
Unrealized gain as of 30 June 2018	**15,506,968**
Market value as of 30 June 2018	**31,658,322**

6.1 These shares were listed on PSX in the month of June 2017. Therefore, the same were carried at the market value. As at 30 June 2018, out of 1,602,953 shares 1,081,194 shares are classified as 'Freeze' in the CDC report of the Company. The Company has pledged the Freeze shares with PSX to fulfill the requirement of Base Minimum Capital. For details, refer note 30.1.

6.2 This represents shares of PSX acquired in pursuance of corporatization and demutualization of PSX as a public company limited by shares. As per the arrangements the authorized and paid-up capital of PSX is Rs. 10,000,000,000 and Rs. 8,014,766,000 respectively with a par value of Rs. 10 each. The paid-up capital of PSX is equally distributed among 200 members (termed as 'initial shareholders' of the exchange after corporatization) of PSX by issuance of 4,007,383 shares to each initial shareholder in the following manner:

1. 40% of the total shares allotted (i.e. 1,602,953 shares) were transferred in the House Account - CDC of each initial shareholder.

2. 60% of the total shares (i.e. 2,404,430 shares) have been deposited in a sub-account in the Company's name under PSX's participant ID with CDC which will remain blocked until they are divested to strategic investor(s), general public and financial institutions.

The above shares and TRE Certificate were received against surrender of Stock Exchange Membership Card. Initially, the fair value of both the asset transferred and asset obtained could not be determined with reasonable accuracy, the above investment had been recorded at the carrying value of Stock Exchange Membership Card in the Company's books. The par value of shares received by the Company had been recognised as available for sale investment and the excess of value of shares over the carrying value of membership card is recognised as trading right. No gain or loss has been recorded on the exchange.

6.3 In 2016, the Securities and Exchange Commisssion of Pakistan (SECP) accorded its approval to Pakistan Stock Exchange Limited (PSX) for issuing letter of acceptance to a Chinese Consortium for the strategic sale of 40% of shares against a consideration of $85.6 million at an offer price of Rs. 28 per share.

PSX vide their letter dated 29 December 2016 informed the Company that 40% (1,602,953 shares), which were held in blocked form in terms of Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012, have been sold to Chinese consortium by the Divestment Committee at an offer price of Rs. 28 per share. Subsequently, a formal signing ceremony was held on 20 January 2017 to mark the signing of the Share Purchase Agreement between the Chinese Consortium and the equity sale committee of PSX. The sale was completed on 10 March 2017.

As per the above mentioned letter, 10% of the consideration amount was retained for a period of one year to settle any outstanding liabilities of PSX and as such the portion of sale after deduction, if any, will be remitted to the designated bank account maintained by the Company after the expiry of the specified time period. Accordingly, the Company has received 90% of the sale proceeds for said 1,602,953 shares in the previous year and the remaining 10% of the sale proceed in the current year.

6.4 After divestment of 40% equity stake of PSX in favor of Chinese Consortium, PSX vide their letter dated 06 June 2017 informed the Company for divestment of further 20% of PSX shares upon successful completion of book building process. This amount was secured by a bank guarantee taken from MCB Bank.

7 LONG TERM LOANS, ADVANCES AND DEPOSITS

	Note	30 June 2018	30 June 2017
		(Rupees)	
Long term loans			
Staff loan	7.1	46,258	175,281
Less: current portion of staff loan		(46,258)	(141,976)
Long term portion of staff loan		-	33,305
Advance against Dubai Gold and Commodities Exchange membership	7.2	-	7,913,725
Provision for impairment		-	(7,913,725)
		-	-
Security deposits			
- National Clearing Company of Pakistan Limited		1,550,000	1,050,000
- Others		11,500	26,500
		1,561,500	1,076,500
		1,561,500	1,109,805

7.1 This represents personal loan carrying mark-up rate of 7.50% (30 June 2017: 6.00%) per annum provided to employees who have completed at least one year of service with the Company. These are recoverable over a period of three years and are secured against retirement benefit payable to respective employees.

7.2 This amount has been paid for corporate membership of Dubai Gold and Commodities Exchange (DGCX). The Company had a plan to open a subsidiary for commencement of business and all charges would have been transferred to subsidiary. However, the Company was having practical difficulties in getting this membership into operation; resultantly the Company had made provision of the whole amount of advance in the previous year.

During the year, the Company sold the DGCX membership to 'House of Commodities FZCO' at sale proceeds of Rs. 1.646 million.

8 DEFERRED TAX ASSET- NET

Deferred tax (liabilities) / assets comprises of temporary differences in respect of the following:

	Balance at 1 July 2016	Recognized in profit or loss	Recognized in OCI	Balance at 30 June 2017	Recognized in profit and loss	Recognized in OCI	Balance at 30 June 2018
	(Rupees)						
Deferred tax assets arising in respect of:							
Intangible assets	136,919	133,634	-	269,553	203,583	-	473,136
Provision for compensated absences	334,643	(109,808)	-	224,735	49,837	-	274,572
Provision for impairment in DGCX	-	1,799,610	-	1,799,610	(1,799,610)	-	-
Tax losses	8,727,991	(3,978,781)	-	4,749,210	496,901	-	5,246,111
Impairment on available for sale investments	-	-	-	-	383,138	-	383,138
Surplus on revaluation of investments - net	(4,079,986)	(1,308,447)	3,763,337	(1,624,996)	-	1,719,757	94,761
Less: Deferred tax liabilities arising in respect of:							
Accelerated tax depreciation allowance	(1,265,056)	334,564	-	(930,492)	170,969	-	(759,523)
Net deferred tax asset	3,853,511	(3,128,228)	3,763,337	4,487,620	(495,184)	1,719,757	5,712,193

8.1 The deferred tax assets recognized in the financial statements represents the management's best estimate of the tax benefit which is expected to be realized in future years as the Company expects to set off the profits earned against tax losses carried forward from prior years.

8.2 A change in the income tax rates from 31% to 30% was enacted for the tax year 2018. Deferred tax assets and liabilities on temporary differences are measured at 29%.

9 SHORT TERM INVESTMENTS - AVAILABLE FOR SALE

	Note	30 June 2018	30 June 2017
		(Rupees)	
Listed shares	9.1, 9.2 & 9.3	96,284,835	79,746,989
Pakistan Investment Bonds	9.4	-	145,339,133
Market Treasury Bills	9.5	154,065,734	-
		250,350,569	225,086,122

9.1 Listed shares

30 June 2018	30 June 2017	Name of investee	30 June 2018 Carrying amount	30 June 2018 Market value	30 June 2017 Market value
(Number of shares)			(Rupees)		
253,000	252,500	The Hub Power Company Limited	24,320,159	22,316,480	29,651,075
128,100	128,100	Pakistan Petroleum Limited	24,760,784	27,528,600	18,976,734
87,000	87,000	Habib Bank Limited	16,846,387	14,480,280	23,416,180
300,000	300,000	Pakistan Stock Exchange Limited	8,479,236	5,825,000	7,704,000
7,500	-	Attock Petroleum Limited	4,617,030	4,424,525	-
32,000	-	Engro Corporation Limited	10,075,009	10,043,520	-
86,000	-	Engro Fertilizer Limited	4,840,047	8,442,260	-
88,000	-	Pioneer Cement Limited	4,584,574	4,123,680	-
981,600	767,600		99,462,788	96,284,835	79,746,989
		Provision for impairment	(2,554,238)		
		Unrealized loss on re-measurement of investment	(623,715)		
		Carrying value	96,284,835		

9.2 Shares of Engro Fertilizer Limited are pledged against PSX/NCCPL exposure.

9.3 Out of 300,000 shares of Pakistan Petroleum Limited (PPL), 45,000 shares are pledged against Base Minimum Capital requirement (refer 30.1).

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9.4 Pakistan Investment Bonds - movement

	Note	30 June 2018	30 June 2017
		---------- (Rupees) ----------	
Pakistan Investment Bonds - face value		-	145,000,000
Unamortised value of premium		-	57,136
Pakistan Investment Bonds - carrying value		-	145,057,136
Surplus on revaluation of investments		-	281,997
Fair value as at 30 June 2018		-	145,339,133

These Pakistan Investment Bonds matured on 17 July 2017 (30 June 2017: 17 July 2017) and carried yield of 5.96% to 12.42% (30 June 2017: 5.96% to 12.42%) per annum. These were placed in the IPS account maintained with Bank AL Habib Limited (the Holding Company) and Bank Alfalah Limited.

9.5 Market Treasury Bills

These Market Treasury Bills will mature on 2 August 2018 and carry yield of 6.27% per annum (30 June 2017: Nil). These are in the IPS account maintained with Bank AL Habib Limited (the Holding Company) and Bank Alfalah Limited.

10 TRADE RECEIVABLES

	Note	30 June 2018	30 June 2017
		---------- (Rupees) ----------	
From equity securities			
Due from clients against trading of securities - secured	10.2	29,915,230	13,353,443
Due from National Clearing Company of Pakistan Limited - secured	10.3	-	11,495,591
Due from clients against trading of securities - associated company	10.1	90,676	602,162
		30,005,906	25,451,196

10.1 Trade receivables from related parties

Name of related party	Gross amount due	Past due amount	Provision for doubtful receivables	Reversal of provision of doubtful receivables	Amount due written off	Net amount due	Maximum amount outstanding at any time during the year
	---------- (Rupees) ----------						
Bank AL Habib Limited	-	-	-	-	-	-	909,669
First Habib Stock Fund	25,168	-	-	-	-	25,168	32,963
Habib Insurance Company Limited	5,046	-	-	-	-	5,046	5,665,323
Habib Asset Management Limited	680	-	-	-	-	680	680
Habib Sugar Mills Limited	240	-	-	-	-	240	5,085,307
First Habib Income Fund	5,467	-	-	-	-	5,467	5,467
First Habib Asset Allocation Fund	16,809	-	-	-	-	16,809	16,809
Habib Asset Management Limited -Staff Provident Fund	-	-	-	-	-	-	2,304,023
First Habib Islamic Stock Fund	37,009	-	-	-	-	37,009	49,144
Key Management	257					257	257
	90,676	-	-	-	-	90,676	

Name of related party	Not yet due	Upto 3 months	3 to 6 months	6 months to 1 year	More than 1 year	Total gross amount due
	---------- (Rupees) ----------					
Bank AL Habib Limited	-	-	-	-	-	-
First Habib Stock Fund	25,168	-	-	-	-	25,168
Habib Insurance Company Limited	-	3,796	-	-	1,250	5,046
Habib Asset Management Limited	-	-	-	-	680	680
Habib Sugar Mills Limited	240	-	-	-	-	240
First Habib Income Fund	-	5,467	-	-	-	5,467
First Habib Asset Allocation Fund	16,809	-	-	-	-	16,809
Habib Asset Management Limited -Staff Provident Fund	-	-	-	-	-	-
First Habib Islamic Stock Fund	37,009	-	-	-	-	37,009
First Habib Islamic stock Fund	-	-	-	-	-	-
Key Management	-		246	5	6	257
	79,226	9,263	246	5	1,936	90,676

10.2 The value of marketable securities held against trade receivables by the Company amounted to Rs. 1,819.3 million (30 June 2017: Rs. 5,155.9 million).

10.3 This shows trade receivables in respect of two days trading T+2 settlement.

10.4 **Aging analysis**

The aging analysis of the trade receivables relating to purchase of shares and brokerage commission on equity shares is as follows:

	Note	Amount	Custody value
Upto 5 days		27,120,195	110,593,542
More than 5 days	10.5	2,885,711	1,428,839,351
		30,005,906	1,539,432,893

10.5 These custody values are shown at market value of securities after applying VaR haircut.

11 LOANS AND ADVANCES

	Note	30 June 2018	30 June 2017
		(Rupees)	
Loan to employees - secured	7.1	46,258	141,976
Advances to employees - unsecured	11.1	350,850	51,007
Advance for expenses to admin, contractors & suppliers		915,000	32,500
		1,312,108	225,483

11.1 This represents advance salaries provided to permanent employees of the Company. It also includes advance amounting to Rs. 150,000 provided to Chief Financial Officer.

During the year, the Company provided advances to Chief Financial Officer and Chief Operating Officer amounting to Rs.150,000 and Rs. 240,000 respectively. All advances are recoverable within a maximum period of six months. These advances are interest free.

12 DEPOSITS AND PREPAYMENTS

	Note	30 June 2018	30 June 2017
Deposits			
Exposure deposit with National Clearing Company of Pakistan Limited	12.1	43,000,000	40,500,000
Prepayments			
- Insurance and computer maintenance		676,402	28,113
- Others		74,087	32,824
		43,750,489	40,560,937

12.1 This represents deposits held under the National Clearing Company of Pakistan Limited exposure rules. These deposits carry interest at the rate of 4.5% to 5.5% (30 June 2017: 4.5% to 5.5%) per annum.

13 OTHER FINANCIAL ASSETS

	Note	30 June 2018	30 June 2017
Interest receivable on Pakistan Investment Bonds	9.4	-	7,309,426
Dividend income receivable		-	505,000
Receivable from PSX against disposal of shares	6.3	-	4,488,269
Others		-	1,473,742
		-	13,776,437

14 CASH AND BANK BALANCES

	Note	30 June 2018	30 June 2017
Cash on hand		29,811	21,774
Balances with banks in:			
- Current accounts	14.2, 14.5 &14.6	50,503,135	61,182,973
- Saving accounts	14.3	2,227,044	2,747,079
- Call treasury account	14.4	1,665,528	8,234,819
		54,395,707	72,164,871
		54,425,518	72,186,645

14.1 **Cash and cash equivalents**

Cash, cash equivalents and short term financing (used for cash management purposes) include the following for the purposes of the cash flow statement:

	Note	30 June 2018	30 June 2017
Cash and bank balances		54,425,518	72,186,645
Short term financing	17	-	-
		54,425,518	72,186,645

14.2 This includes bank balances held with Bank AL Habib Limited (the Holding Company) amounting to Rs. 0.107 million (30 June 2017: Rs. 0.056 million).

14.3 This includes bank balances held with Bank AL Habib Limited (the Holding Company) amounting to Rs. 0.402 million (30 June 2017: Rs. 0.460 million) and carry interest ranging from 3.75% to 5.25% (30 June 2017: 4.24% to 5.25%) per annum.

14.4 This represents bank balances held with Bank AL Habib Limited (the Holding Company) and carry interest ranging from 4.24% to 5.25% (30 June 2017: 4.24% to 5.25%) per annum.

14.5 This includes Rs. 49.91 million (30 June 2017: 37.496 million) kept in designated bank accounts maintained on behalf of clients.

14.6 Total number of clients' shares held in CDC sub account are 110,783,395 out of which 4,269,217 shares are pledged (30 June 2017: 92,560,753 out of which 13,674,262 shares were pledged).

15 AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

15.1 Authorised capital

30 June 2018	30 June 2017		30 June 2018	30 June 2017
(Number of shares)			(Rupees)	
50,000,000	50,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	500,000,000	500,000,000

15.2 Issued, subscribed and paid-up capital

30 June 2018	30 June 2017		30 June 2018	30 June 2017
30,000,000	30,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	300,000,000	300,000,000

15.3 Pattern of shareholding

Categories of Shareholders	Number of shares held	% of shares held
Bank AL Habib Limited (the Holding Company)	19,999,600	66.67%
Other companies	1,249,900	4.17%
Individuals		
- Salman H. Habib	1,874,997	6.25%
- Other Individuals	6,875,503	22.91%
	30,000,000	100.00%

16 UNREALIZED GAIN ON RE-MEASUREMENT OF INVESTMENTS - NET

	Note	30 June 2018	30 June 2017
		(Rupees)	
Listed shares		14,883,253	38,740,219
Pakistan Investment Bonds		-	281,997
Market Treasury Bills		(5,478)	-
		14,877,775	39,022,216
Related deferred tax asset / (liability)		94,761	(1,624,996)
		14,972,536	37,397,220

17 SHORT TERM FINANCING

	Note		
Short Term Running Finance - secured	17.1	-	-

17.1 Running finance facility of Rs. 275 million (30 June 2017: Rs. 275 million) has been obtained by the Company from Bank AL Habib Limited (the Holding Company) and Bank Alfalah Limited of Rs. 175 million and Rs. 100 million having expiry on 30 June 2021 and 30 September 2018 respectively which is secured against hypothecation of amounts due from customers and lien over shares listed at Pakistan Stock Exchange Limited and government securities. During the year, the Company has not availed the running finance facility of Bank Alfalah Limited. The mark-up on both facility is payable quarterly. The facilities obtained from Bank AL Habib Limited (the Holding company) carry mark-up rate at 3 month average KIBOR + 1% (30 June 2017: 3 month average KIBOR + 1%) and Bank Alfalah Limited carry mark-up rate at 3 month average KIBOR + 1% (30 June 2017: 3 month average KIBOR + 1%).

18 TRADE AND OTHER PAYABLES

	Note	30 June 2018	30 June 2017
		(Rupees)	
Due to clients against trading of securities	18.1	50,956,451	62,402,377
Due to National Clearing Company of Pakistan Limited	18.2	47,062,755	-
Workers' Welfare Fund payable		509,179	509,179
Sales tax and FED payable		186,482	388,374
Other liabilities		807,429	383,656
		99,522,296	63,683,586

18.1 This includes trade payables of Rs. 0.97 million (30 June 2017: Rs. 13.61 million) payable to related party.

18.2 This shows trade payable in respect of two days trading T+2 settlement.

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19 CONTINGENCIES AND COMMITEMENTS

19.1 Contingencies

	Note	30 June 2018	30 June 2017
		------- (Rupees) -------	
There are no contigencies as at 30 June 2018 (30 June 2017: Nil)		-	-

19.2 Commitments

	Note	30 June 2018	30 June 2017
Commitments for rentals under Ijarah finance:	19.2.1		
Within one year		536,855	585,660
After one year but not later than five years		-	536,855

19.2.1 This represents Ijarah finance facility entered into with First Habib Modarba in respect of vehicles. Total Ijarah payments due under the agreement are Rs. 0.537 million (30 June 2017: Rs. 1.122 million). These commitments are secured by on-demand promissory notes of Rs. 1.773 million (30 June 2017: Rs. 1.773 million).

19.3 Future contracts against counter commitments

19.3.1 For sale of quoted securities under future contracts against counter commitments as at 30 June 2018 is Rs. 2.234 million (2017: Rs. Nil)

19.3.2 For purchase of quoted securities under future contracts against counter commitments as at 30 June 2018 is Rs. Nil (2017: Rs. Nil)

20 BROKERAGE REVENUE - NET

	Note	30 June 2018	30 June 2017
		------- (Rupees) -------	
Brokage revenue - gross		32,078,284	37,191,436
Less: Sales tax on services		(3,690,422)	(4,278,661)
	20.1	28,387,862	32,912,775

20.1 Brokerage revenue - net of sales tax

		30 June 2018	30 June 2017
Retail customers		10,499,038	7,527,142
Institutional customers		17,771,792	25,343,128
Proprietary trade		117,032	42,505
		28,387,862	32,912,775

21 OTHER INCOME

		30 June 2018	30 June 2017
Profit on PSX exposure		282,764	229,019
Interest on staff loans		11,126	29,388
Gain on disposal of property and equipment		42,000	-
Miscellaneous Income		1,043,507	-
		1,379,397	258,407

22 ADMINISTRATIVE EXPENSES

	Note	30 June 2018	30 June 2017
Salaries and other benefits	22.1	36,840,226	36,151,224
Printing and stationery		234,272	383,863
Auditors' remuneration	22.2	577,107	501,292
Rent, rates and taxes		2,200,000	2,376,160
Vehicles running		1,812,407	1,497,307
Utilities		1,664,972	141,981
Legal and professional charges		1,068,948	920,248
Insurance		1,674,291	1,429,075
Newspapers and periodicals		59,610	46,965
Entertainment		88,836	36,701
Advertisement and business promotion		527,680	41,414
Annual membership fees DGCX		-	796,000
Computer expenses		1,542,163	1,366,670
Clearing house charges		3,558,761	3,260,994
Office security		617,238	843,420
Depreciation	4	1,624,675	1,456,570
Amortization	5	1,116,708	945,500
Repairs and maintenance		694,510	912,063
Conveyance and travelling		131,371	245,288
Communication		817,375	650,489
Fee and subscription		2,717,534	2,495,149
Lease rental of vehicles		594,971	584,640
Office supplies		260,290	257,206
Donations		3,000	-
Others		77,837	480,551
		60,384,782	56,832,686

22.1 This includes the Company's contribution to the defined contribution plan amounting to Rs. 2.175 million (30 June 2017: Rs. 2.033 million).

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22.2 Auditors' remuneration - audit services

	Note	30 June 2018	30 June 2017
		(Rupees)	
Statutory audit fee		**200,000**	200,000
Half yearly audit fee		**100,000**	100,000
Other certifications		**135,000**	135,000
Out of pocket expenses		**142,107**	66,292
		577,107	501,292

23 FINANCE COST

	Note	30 June 2018	30 June 2017
Mark-up on short term running finance	17	**42,884**	354,521
Bank charges		**192,057**	206,528
		234,941	561,049

24 INCOME TAX EXPENSE

	Note	30 June 2018	30 June 2017
Current tax		**5,609,251**	6,876,576
Deferred tax	8	**495,184**	3,129,228
Prior year tax		**(177,625)**	-
		5,926,810	10,005,804

24.1 Relationship between income tax expense and accounting profit

	Note	30 June 2018	30 June 2017
Income tax expense		**5,926,810**	10,005,804
Accounting (loss) / profit before income tax expense		**(11,341,719)**	24,949,760
Tax at the applicable tax rate of 30% (2017: 31%)		**(3,402,516)**	7,734,426
Tax effect of income subject to final tax regime and separate block of income		**9,656,539**	(4,584,652)
Prior year tax effect		**(177,625)**	-
Tax effect of permanent differences		**-**	3,875,000
Tax effect of change in rate on deferred tax and others	8.2	**(149,588)**	2,981,030
		5,926,810	10,005,804

24.2 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that sufficient provision for the purposes of taxation is available which can be analysed as follows:

	2017	2016	2015
		(Rupees)	
Income tax provision for the year (as per accounts)	6,876,576	3,952,922	4,065,058
Income tax as per tax return / assessment	6,698,951	3,853,355	3,340,267

The difference mainly pertains to cost allocation between NTR and FTR income in the tax provisions booked in financial statements and filed in returns in respective years.

24.3 The income tax returns of the Company have been filed up to tax year 2017 under the Universal Self Assessment Scheme. This scheme provides that the return filed is deemed to be an assessment order. The returns may be selected for audit within five years. The Income Tax Commissioner may amend assessment if any objection is raised during audit.

24.4 This represents difference between refundable amount claimed in the income tax returns of prior years and the advance tax recognized in the books of the Company.

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

	30 June 2018	30 June 2017
	(Rupees)	
(Loss) / profit for the year	**(17,268,529)**	14,943,956
	(Number)	
Weighted average number of ordinary shares in issue during the year	**30,000,000**	30,000,000
	(Rupees)	
(Loss) / earnings per share - basic and diluted	**(0.576)**	0.498

25.1 Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 June 2018 and 30 June 2017 which would have any effect on the earnings per share.

26 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	30 June 2018		30 June 2017	
	Chief Executive	**Executives**	Chief Executive	Executives
	(Rupees)			
Managerial remuneration	**8,200,000**	**7,400,436**	8,200,000	6,389,692
Housing and utilities	**4,100,000**	**3,677,718**	4,100,000	3,217,102
Medical	**25,000**	**111,891**	25,000	99,051
Company's contribution to provident fund	**820,000**	**735,541**	820,000	635,359
Commission	**-**	**29,057**	-	903,764
	13,145,000	**11,954,643**	13,145,000	11,244,968
Number of persons	**1**	**6**	1	4

26.1 In addition to the above, Chief Executive and Executives have been provided with free use of the Company maintained vehicles and mobile phones under the service contracts.

26.2 No fees is paid to directors for meetings attended by them.

27 PROVIDENT FUND

Details of investments held by the provident fund of the Company for its employees is as follows:

	(Unaudited) 30 June 2018	(Audited) 30 June 2017
	(Rupees)	
Size of the fund	**47,189,316**	46,056,189
Cost of investments made	**45,694,802**	49,536,262
Percentage of investments made	**99.82%**	103.00%
Fair value of investments	**47,106,666**	47,700,523

27.1 Breakup of investments in terms of amount and percentage of the size of the provident fund are as follows:

	(Unaudited) 30 June 2018		(Audited) 30 June 2017	
	Investments	**% of investments as size of the fund**	Investments	% of investments as size of the fund
	(Rupees)	**(Percentage)**	(Rupees)	(Percentage)
Government securities	**32,862,102**	**69.64%**	19,070,710	41.00%
Mutual fund units	**-**	**0%**	8,962,995	19.00%
Listed securities	**11,584,358**	**24.55%**	19,666,818	43.00%
Debt Securities	**1,120,000**	**2.37%**	-	0.00%
Bank balances	**1,540,206**	**3.26%**	-	0.00%
	47,106,666	**99.82%**	47,700,523	103.00%

27.2 All investments in collective investment schemes, listed equity and listed debt securities out of the provident fund have been made in accordance with the provisions of the section 218 of the Companies Act, 2017 and the conditions specified thereunder.

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28 TRANSACTIONS WITH RELATED PARTIES

Related parties comprises of the holding company, companies with common directorship, associated companies / undertakings, directors of the Company, other associated companies and key management personnel and their close family members including thereof the Holding Company. Remuneration of key management personnel are in accordance with their terms of employment. Other transactions with related parties are entered into at rates negotiated with them.

Transactions for the year	Relationship	30 June 2018	30 June 2017
		---------- (Rupees)	----------
Bank AL Habib Limited	Holding company holds 66.67% (2017: 66.67%) share capital		
- Equity brokerage commission		**1,745,248**	2,594,519
- Mark-up expense on running finance		**42,884**	354,521
- Office rent		**2,100,000**	2,268,000
- Bank charges		**121,635**	128,949
- Markup income on bank balances		**1,781,678**	759,620
- Information technology services		**750,000**	729,163
Habib Insurance Company Limited	Associated company of holding company		
- Equity brokerage commission		**654,361**	916,589
- Insurance premium paid		**1,929,140**	1,273,900
- Insurance claim received		**-**	-
First Habib Stock Fund	Associated company of holding company		
- Equity brokerage commission		**48,396**	45,065
First Habib Income Fund	Associated company of holding company		
- Equity brokerage commission		**4,400**	-
Habib Sugar Mills Limited	Associated company of holding company		
- Equity brokerage commission		**87,626**	19,683
First Habib Asset Allocation Fund	Associated company of holding company		
- Equity brokerage commission		**14,280**	-
First Habib Islamic Stock Fund	Associated company of holding company		
- Equity brokerage commission		**24,570**	33,590
AL Habib Capital Markets (Private) Limited - Employees' Provident Fund	Other related party		
- Equity brokerage commission		**942**	6,022
Habib Asset Management - Staff Provident Fund	Associated company of holding company		
- Equity brokerage commission		**23,660**	9,958
- Contribution to the defined contribution plan	Key management	**1,555,537**	1,534,286
- Equity brokerage commission		**96,427**	52,935
- Advances		**390,000**	-

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Balances at year end	Relationship	30 June 2018	30 June 2017
		------------ (Rupees) ------------	
Bank AL Habib Limited			
- Bank balances	Holding company holds 66.67%	**37,164,652**	8,753,276
- Equity brokerage commission receivable	(2017:66.67%) share capital	-	602,162
- Accrued on Rent and IT Services		-	777,702
Associated Companies			
First Habib Stock Fund	Associated company of		
- Equity brokerage commission receivable	holding company	**25,168**	13,536
Habib Insurance Company Limited	Associated company of		
- Equity brokerage commission receivable	holding company	**5,046**	
- Equity payable		**966,048**	11,528,941
Habib Asset Management Limited	Associated company of		
- CDC charges receivable	holding company	**680**	5,721
Habib Sugar Mills Limited	Associated company of		
- CGT tariff receivable	holding company	**240**	-
First Habib Income Fund	Associated company of		
-Equity brokerage commission receivable	holding company	**5,467**	-
First Habib Asset Allocation Fund	Associated company of		
- Equity brokerage commission receivable	holding company	**16,809**	-
Habib Asset Management Limited -Staff Provident Fund	Associated company of holding company		
- Equity payable		-	1,743,888
First Habib Islamic stock Fund	Associated company of		
- Equity brokerage commission receivable	holding company	**37,009**	27,839.00
- Other receivable		**257**	6,242
- Advances	Key management	**150,000**	-
- Other payable		-	341,673

29 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

29.1 Risk Management Framework

The Management of the Company has an overall responsibility for the establishment and oversight of the Company's risk management framework. Management is also responsible for developing and monitoring the Company's risk management policies.

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The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

29.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfil their obligations. There is a possibility of default by participants and of failure of the financial markets, the depositories, the settlements or clearing system etc.

Exposure to credit risk

Credit risk of the Company arises principally from its trade receivables, long term advances and deposits, loan and advances, other financial aassets and bank balances. The carrying amount of these financial assets represents the maximum credit exposure.

Credit risk management

To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their worth and proper margins are collected from and maintained by the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful for recovery.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies and investment and operational guidelines.

All transactions in listed securities are settled using National Clearing Company of Pakistan Limited, being the central clearing company of the country. The risk of default in such transactions is considered minimal, as delivery of securities is guaranteed by the stock exchange. The Company does not expect to incur material credit losses on its financial assets.

The maximum exposure to credit risk before any credit enhancements at 30 June 2018 is the carrying amount of the financial assets as set out below:

	Note	**30 June 2018**	30 June 2017
		(Rupees)	
Long term loans	7	-	33,305
Long term advances and deposits	7	**1,561,500**	8,990,225
Trade receivables	10	**30,005,906**	25,451,196
Loans and advances - considered good	11	**1,312,108**	225,483
Short term deposits	12	**43,000,000**	40,500,000
Other financial assets	13	-	6,467,011
Bank balances	14	**54,395,707**	72,164,871
		130,275,221	153,832,091

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29.2.1 The aging analysis of the trade receivables is as follows:

	30 June 2018			
	Carrying amount			
	Amount outstanding	Impaired	Provision held	Total
	(Rupees)			
Not yet due	**28,393,498**	-	-	**28,393,498**
Upto 3 months	**1,348,807**	-	-	**1,348,807**
3 to 6 months	**59,272**	-	-	**59,272**
6 months to 1 year	**55,783**	-	-	**55,783**
More than 1 year	**148,546**	-	-	**148,546**
	30,005,906	-	-	**30,005,906**

	30 June 2017			
	Carrying amount			
	Amount outstanding	Impaired	Provision held	Total
	(Rupees)			
Not yet due	23,123,314	-	-	23,123,314
Upto 3 months	2,090,992	-	-	2,090,992
3 to 6 months	117,686	-	-	117,686
More than 6 months	43,010	-	-	43,010
More than 1 year	76,194	-	-	76,194
	25,451,196	-	-	25,451,196

29.2.2 ***Credit rating and collaterals***

Bank balances are only held with reputable banks having sound credit ratings. The credit quality of the Company's bank balances can be assessed with reference of external credit ratings as follows:

	Rating Agency	Short term rating	Long term rating	30 June 2018 (Rupees)	(%)
Bank AL Habib Limited	PACRA	A-1+	AA+	**37,164,651**	**68.32%**
Bank Alfalah Limited	PACRA	A-1+	AA+	**16,249,170**	**29.87%**
Habib Bank Limited	JCR-VIS	A-1+	AAA	**75,498**	**0.14%**
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+	**137,383**	**0.25%**
JS Bank Limited	PACRA	A-1+	AA-	**550,877**	**1.01%**
MCB Islamic Bank Limited	PACRA	A1	A	**91,079**	**0.17%**
MCB Bank Limited	PACRA	A-1+	AAA	**127,049**	**0.24%**
				54,395,707	**100.00%**

	Rating Agency	Short term rating	Long term rating	30 June 2017 (Rupees)	(%)
Bank AL Habib Limited	PACRA	A-1+	AA+	8,753,276	12.13%
Bank Alfalah Limited	PACRA	A-1+	AA+	39,620,896	54.90%
Habib Bank Limited	JCR-VIS	A-1+	AAA	91,507	0.13%
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+	46,103	0.06%
JS Bank Limited	PACRA	A-1+	AA-	175,741	0.24%
MCB Bank Limited	PACRA	A-1+	AAA	22,616,961	31.34%
NIB Bank Limited	PACRA	A1+	AA-	860,387	1.20%
				72,164,871	100.00%

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is diversified and transactions are entered into with credit-worthy counterparties of diverse natures thereby mitigating any significant concentrations of credit risk.

29.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. 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:

	30 June 2018				
	On demand	**Upto three months**	**More than three months and upto one year**	**More than one year**	**Total**
	(Rupees)				
Trade and other payables	**98,826,635**	-	-	-	**98,826,635**
Accrued liabilities	**2,757,892**	-	-	-	**2,757,892**
Short term financing	-	-	-	-	-
	101,584,527	-	-	-	**101,584,527**

	30 June 2017				
	On demand	Upto three months	More than three months and upto one	More than one year	Total
	(Rupees)				
Trade and other payables	62,786,033	-	-	-	62,786,033
Accrued liabilities	3,353,971	-			3,353,971
Short term financing	-	-	-	-	-
	66,140,004	-	-	-	66,140,004

29.4 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk comprises of three types of risk: currency risk, interest rate risk and price risk. The market risks associated with the Company's business activities are discussed as under:

29.4.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present, is not exposed to currency risk as all transactions are carried out in Pak Rupees.

29.4.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market yield.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	Effective interest rate		Carrying amount	
	2018	2017	2018	2017
Variable rate instruments	(Percentage)		(Rupees)	
Financial assets				
Bank balances	4.50% to 5.25%	4.24% to 4.5.25%	54,425,518	72,186,845
Financial liabilities				
Short term financing	KIBOR + 1%	KIBOR + 1%	-	-
Fixed rate instruments				
Deposits with National Clearing Company of Pakistan Limited	4.50% to 5.50%	4.50% to 5.50%	44,550,000	41,550,000
Staff loan	7.50%	8.00%	46,258	175,281

Fair Value sensitivity analysis for fixed rate instruments

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 at the reporting date would not have affected the after tax profit of the Company.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for June 2017.

	Profit or loss		Equity - net of tax	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
	(Rupees)		(Rupees)	
As at 30 June 2018				
Variable rate instruments	5,442,552	(5,442,552)	5,442,552	(5,442,552)
As at 30 June 2017				
Variable rate instruments	7,218,665	(7,218,665)	7,218,665	(7,218,665)

29.4.3 Price risk

Price risk is the risk of unfavourable changes in the fair value of securities as a result of changes in the value of individual shares. The price risk exposure arises from the Company's investments in equity securities. The Company's policy is to manage price risk through selection of blue chip securities.

The Company's investments in quoted equity securities amounted to Rs. 127.94 (30 June 2017: Rs 120.91) million at the balance sheet date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date. Market prices are subject to fluctuation. 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.

In case of quoted equity investments, a 10% increase / decrease in share prices value at year end would have increased / decreased the other comprehensive income of the Company by increasing / decreasing surplus on revaluation of such investment by the amounts given below:

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in price	Hypothetical increase / (decrease) in OCI	Hypothetical increase / (decrease) in shareholders' equity
	(Rupees)				
30 June 2018	**127,943,157**	**10% increase**	**140,737,473**	**12,794,316**	**12,794,316**
		10% decrease	**115,148,841**	**(12,794,316)**	**(12,794,316)**
30 June 2017	120,910,822	10% increase	133,001,904	12,091,082	12,091,082
		10% decrease	108,819,740	(12,091,082)	(12,091,082)

The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios.

29.5 Fair value of financial assets and liabilities

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in arm's length transaction. The table below analysis financial instruments carried at fair value, by valuation method. The different levels (methods) have been defined as follows:

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

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

On balance sheet financial instruments	30 June 2018						
	Carrying Amount				Fair value		
	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees)						
Financial assets measured at fair value							
Short term investments - available for sale							
- Listed shares	96,284,835	-	-	96,284,835	96,284,835	-	-
- Pakistan Investment Bonds	-	-	-	-	-	-	-
- Market Treasury Bills	154,065,734	-	-	154,065,734	-	154,065,734	-
Long term investments	31,658,322	-	-	31,658,322	31,658,322	-	-
	282,008,891	-	-	282,008,891			
Financial assets not measured at fair value							
Long term loans, advances and deposits	-	1,561,500	-	1,561,500			
Trade receivables	-	30,005,906	-	30,005,906			
Loans and advances	-	1,312,108	-	1,312,108			
Deposits	-	43,000,000	-	43,000,000			
Other financial assets	-	-	-	-			
Cash and bank balances	-	54,425,518	-	54,425,518			
	-	130,305,032	-	130,305,032			
Financial liabilities not measured at fair value							
Trade and other payables	-	-	(98,826,635)	(98,826,635)			
Accrued liabilities	-	-	(2,757,892)	(2,757,892)			
	-	-	(101,584,527)	(101,584,527)			
	282,008,891	130,305,032	(101,584,527)	310,729,396			

On balance sheet financial instruments	30 June 2017						
	Carrying Amount				Fair value		
	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees)						
Financial assets measured at fair value							
Short term investments - available for sale							
- Listed shares	79,746,989	-	-	79,746,989	79,746,989	-	-
- Pakistan Investment Bonds	145,339,133	-	-	145,339,133	-	145,339,133	-
Long term investments	41,163,833	-	-	41,163,833	41,163,833	-	-
	266,249,955	-	-	266,249,955			
Financial assets not measured at fair value							
Long term loans, advances and deposits	-	1,974,805	-	1,974,805			
Trade receivables	-	25,451,196	-	25,451,196			
Loans and advances	-	225,483	-	225,483			
Deposits	-	40,500,000	-	40,500,000			
Other financial assets	-	13,776,437	-	13,776,437			
Cash and bank balances	-	72,186,645	-	72,186,645			
	-	154,114,566	-	154,114,566			
Financial liabilities not measured at fair value							
Trade and other payables	-	-	(62,786,033)	(62,786,033)			
Accrued liabilities	-	-	(3,353,971)	(3,353,971)			
	-	-	(66,140,004)	(66,140,004)			
	266,249,955	154,114,566	(66,140,004)	354,224,517			

29.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Company's activities.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

30 CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business. Further, Pakistan Stock Exchange Limited also requires the Company to maintain a minimum net capital.

30.1 Base Minimum Capital

In compliance with the sub-regulation 2.1 of the Regulation Governing Risk Management (Regulations) of the Pakistan Stock Exchange Limited (PSX) (formerly Karachi Stock Exchange Limited), every Trading Right Entitlement Certificate (TREC) holder registered as a broker under Brokers and Agents Registration Rules, 2001, is required to maintain a Base Minimum Capital (BMC) in the amount and form as prescribed in the Regulations.

As at 30 June 2018, the Company is required to have a BMC of Rs. 28 million. The Company's BMC is comprised of the sum of notional value of the TREC and the market value of Pakistan Stock Exchange Limited (PSX) and Pakistan Petroleum Limited (PPL) as at 30 June 2018. The market value taken to meet BMC deposit requirement is after the haircut of 10% and 15% for PSX and PPL respectively.

The notional value of the TREC and the value of the shares for the purpose of BMC is determined by the PSX as under:

	Note	**30 June 2018**	30 June 2017
		(Rupees)	
Trading Right Entitlement Certificates	5	**2,500,000**	5,000,000
Securitized 1,081,194 shares at Rs. 19.75 per share after applying 10% haircut	6.1	**19,237,580**	-
Shares of The Hub Power Company Limited		-	25,203,414
Shares of Pakistan Petroleum Limited	9.3	**8,219,925**	-
		29,957,505	30,203,414

31 RESEARCH ANALYST

At present, the Company employs three members in its research department (including head of research, one senior analyst and a data administrator). All members report to Head of Research who in turn reports to the Chief Executive Officer.

Compensation structure of research analysts is flat and is subject to qualification, experience and skill set of the person. However, the compensation of anyone employed in the research department does not in any way depend on the contents / outcome of research report.

During the year, the personnel employed in the Research Department have drawn an aggregate salary and benefits amounting to Rs. 4.109 million which comprise basic salary, medical allowance and other benefits as per the Company's policy.

32 NUMBER OF EMPLOYEES

	30 June 2018	30 June 2017
	(Number)	
The details of number of employees are as follows:		
Average number of employees during the year	**26**	24
Number of employees at year end	**27**	26

33 CORRESPONDING FIGURES

The preparation and presentation of these financial statements for the year ended 30 June 2018 is in accordance with requirements in Companies Act, 2017. The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017.

34 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were approved by the Company's board of directors and authorised for issue on 03 OCT 2018

Chairman

Chief Executive