Zafar Securities (Private) Limited

TREC Holder of "Pakistan Stock Exchange Limited"

TREC Registration Number - 068

Financial Statements (Un Audited)

For the Period 01-July-2019 To 31-DEC-2019

ZAFAR SECURITIES (PVT.) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DEC 31, 2019

	Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees Re-stated
ASSETS			
NON CURRENT ASSETS			
Property and equipment	6	27,958,907	29,282,764
Intangible assets	7	40,244,040	40,244,040
Long term investment	8	18,238,278	18,238,278
Long term deposits	9	1,920,000	1,920,000
Long term advances	10	16,042,123	15,411,187
		104,403,348	105,096,269
CURRENT ASSETS			
Account receivables	11	54,608,865	36,001,909
Loan and advances	12	5,073,812	5,105,438
Investment at fair value through profit and loss	13	64,028,910	46,017,987
Trade deposits, short term prepayments and current account balance with statutory authorities	14	33,723,897	21,490,672
Accrued interest		18,498	18,498
Cash and bank balances	15	65,896,597	66,879,426
		223,350,579	175,513,930
		327,753,927	280,610,199
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	200,000,000	200,000,000
Reserves		22,000,000	22,000,000
Accumulated loss		(35,732,487)	(52,875,074)
Fair value adjustment reserve		13,138,278	13,138,278
		199,405,791	182,263,204
NON CURRENT LIABILITIES			
Deferred taxation	18	-	-
CURRENT LIABILITIES			
Deposits, accrued liabilities and advances	19	720,422	1,896,029
Trade and other payables	20	104,837,350	70,580,602
Loan from related parties	21	22,790,364	25,870,364
Provision for taxation		-	-
		128,348,136	98,346,995
CONTINGENCIES AND COMMITMENTS	22	-	-
		327,753,927	280,610,199

ZAFAR SECURITIES (PVT) LTD. PSX TREC 068

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

CHIEF EXECUTIVE

DIRECTOR

ZAFAR SECURITIES (PVT.) LIMITED
STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE PERIOD ENDED DEC 31, 2019

	Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
Brokerage and commission	23	19,336,414	26,939,351
Capital Gain/(loss) on marketable securities		5,665,414	(1,378,525)
		25,001,828	25,560,826
Direct cost	24	(3,263,009)	(6,697,975)
		21,738,819	18,862,851
Operating expenses	25	(23,876,812)	(34,059,521)
Other operating expenses	26	(229,486)	(31,443,157)
Other income	27	19,525,568	15,696,496
		(4,580,730)	(49,806,182)
LOSS FROM OPERATIONS		17,158,089	(30,943,331)
Finance cost	28	(15,502)	(65,113)
LOSS BEFORE TAXATION		17,142,587	(31,008,444)
Taxation	29	-	(769,734)
LOSS FOR THE YEAR		17,142,587	(31,778,178)
EARNINGS PER SHARE - BASIC AND DILUTED	30	8.57	(15.89)

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

CHIEF EXECUTIVE

ZAFAR SECURITIES (PVT) LTD.
PSX TREC
068

DIRECTOR

ZAFAR SECURITIES (PVT.) LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DEC 31, 2019

	Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		17,142,587	(31,008,444)
Adjustments of items not involving movements of cash:			
Depreciation	6	2,254,041	5,129,945
Impairment loss on TRE Certificate	26	-	7,635,000
Loss on remeasurement of investment at fair value through profit or loss	13	-	23,783,157
(Reversal)/Provision for doubtful debts		-	(4,869,841)
Capital loss		-	-
Gain on sale of fixed asset		-	(1,694,653)
		2,254,041	29,983,608
Operating cash Flows Before Working capital changes		19,396,628	(1,024,836)
(Increase) / Decrease in Working Capital			
(Increase) / decrease in current assets			
Account receivables		(18,606,956)	17,514,139
Loan and Advances		31,626	(196,299)
Trade deposits and short term prepayments		(11,700,000)	5,181,034
Accrued interest		-	(18,498)
Increase / (decrease) in current liabilities			
Deposits, accrued liabilities and advances		(1,175,607)	524,933
Trade and other payables		34,256,748	(34,426,930)
		2,805,811	(11,421,641)
Cash Generated From Operations		22,202,439	(12,446,477)
Taxes paid		(533,225)	(5,199,523)
Net cash Flows From Operating Activities		21,669,214	(17,646,000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(930,184)	(8,262,955)
Short term investments		(18,010,923)	4,029,571
Proceeds from sale of fixed asset		-	2,165,000
Long term advances		(630,936)	(1,326,474)
Long term deposits		-	25,000
Net cash Flows From Investing Activities		(19,572,043)	(3,369,858)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan repaid to diectors - net		(3,080,000)	-6,223,000
Net Cash Flows From Financing Activities		(3,080,000)	(6,223,000)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		(982,829)	(27,238,858)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		66,879,426	94,118,284
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	A	65,896,597	66,879,426
A Cash and Cash Equivalents			
Cash and bank balances	15	65,896,597	66,879,426

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

ZAFAR SECURITIES (PVT.) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED DEC 31, 2019

	Paid up capital	Revenue Reserves	Fair value adjustment reserve	Un-appropriated profit	Total
	--------- (R	u p	e e	s) ---------	
Balance as at June 30, 2018	**200,000,000**	**22,000,000**	**-**	**(21,096,896)**	**200,903,104**
Impact of retrospective adjustment (note 5)	-	-	3,592,932	-	3,592,932
Balance as at June 30, 2018 - Re-stated	**200,000,000**	**22,000,000**	**3,592,932**	**(21,096,896)**	**204,496,036**
Loss after taxation	-	-	-	(31,778,178)	(31,778,178)
Other comprehensive income	-	-	9,545,346	-	9,545,346
Total comprehensive income for the year	-	-	9,545,346	(31,778,178)	(22,232,832)
Balance as at June 30, 2019 - Re-stated	**200,000,000**	**22,000,000**	**13,138,278**	**(52,875,074)**	**182,263,204**
Impact of reclassification (note 3.1)	-	-	-	-	
Balance as at June 30, 2019 - Adjusted	**200,000,000**	**22,000,000**	**13,138,278**	**(52,875,074)**	**182,263,204**
Profit after taxation	-	-	-	17,142,587	17,142,587
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	17,142,587	17,142,587
Balance as at Dec 31, 2019	**200,000,000**	**22,000,000**	**13,138,278**	**(35,732,487)**	**199,405,791**

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

CHIEF EXECUTIVE

ZAFAR SECURITIES (PVT) LTD.
PSX TREC
068

Saima Zafar
DIRECTOR

ZAFAR SECURITIES (PVT.) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED DEC 31, 2019

	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
Loss for the year	17,142,587	(31,778,178)
Items that will not be reclassified subsequently to the statement of profit or loss		
Gain on investment categorised as fair value through other comprehensive income	-	9,545,346
Items that may be reclassified subsequently to the statement of profit or loss	-	-
Other comprehensive income for the year	-	9,545,346
Total comprehensive loss for the year	17,142,587	(22,232,832)

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

CHIEF EXECUTIVE

ZAFAR SECURITIES PSX TREC 068

DIRECTOR

6 Property and equipment

Particulars	Cost				Depreciation					WDV
	As at June 30, 2019	Additions	(Deletions)	As at Dec 31, 2019	Rate %	As at June 30, 2019	Charge for the year	Deletion during the year	As at Dec 31, 2019	As at Dec 30, 2019
	----R u p e e s----					----R u p e e s----				
OWNED										
Office equipment	3,820,780	747,934	-	4,568,714	15	2,995,217	61,917	-	3,057,134	1,511,580
Computers	5,119,753	98,600	-	5,218,353	30	4,405,335	107,163	-	4,512,498	705,855
Electric equipment	6,892,328	83,650	-	6,975,978	15	5,648,061	93,320	-	5,741,381	1,234,597
Furniture and fixture	5,950,321	-	-	5,950,321	15	4,673,466	95,764	-	4,769,230	1,181,091
Mobiles	67,570	-	-	67,570	30	10,870	8,505	-	19,375	48,195
Vehicles	48,871,731	-	-	48,871,731	15	23,706,770	1,887,372		25,594,142	23,277,589
	70,722,483	**930,184**	**-**	**71,652,667**		**41,439,719**	**2,254,041**	**-**	**43,693,760**	**27,958,907**

6.1 Property and equipment

Particulars	Cost				Depreciation					WDV
	As at June 30, 2018	Additions	(Deletions)	As at June 30, 2019	Rate %	As at June 30, 2018	Charge for the year	Transferred during the year	As at June 30,2019	As at June 30,2019
	----R u p e e s----					----R u p e e s----				
OWNED										
Office equipment	3,692,165	128,615	-	3,820,780	15	2,866,059	129,158	-	2,995,217	825,563
Computers	5,066,253	53,500	-	5,119,753	30	4,112,244	293,091	-	4,405,335	714,418
Electric equipment	6,853,528	38,800	-	6,892,328	15	5,433,461	214,600	-	5,648,061	1,244,267
Furniture and fixture	5,825,221	125,100	-	5,950,321	15	4,454,616	218,850	-	4,673,466	1,276,855
Mobiles	-	67,570	-	67,570	30	-	10,870	-	10,870	56,700
Vehicles	44,322,361	7,849,370	(3,300,000)	48,871,731	15	22,273,047	4,263,376	(2,829,653)	23,706,770	25,164,961
	65,759,528	**8,262,955**	**(3,300,000)**	**70,722,483**		**39,139,427**	**5,129,945**	**(2,829,653)**	**41,439,719**	**29,282,764**

ZAFAR SECURITIES (PVT.) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2019

1 COMPANY AND ITS OPERATION

1.1 Zafar Securities (Private) Limited ("the Company") was incorporated on June 28, 1999 as a private limited Company under the repealed Companies Ordinance, 1984. The Company is principally engaged in the business of brokerage, financial consultancy, underwriting, portfolio management/acquisition of securities and securities research. The registered office of the Company is situated at 5th Floor, Room # 519, 19- Khayaban-e-Aiwan-e-Iqbal, Lahore Stock Exchange Building, Lahore.

The company is Trading Right Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange and has also acquied membership of Pakistan Merchantile Exchange Limited. The Principle activity of the Company is financial consultancy, brokerage, underwriting, portfolio management / acquisition of securities and securities research.

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

2.2 ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policy notes.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Pakistani Rupee, which is the company's functional and presentation currency.

2.4 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision 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 revision and future periods if the revision affects both current and future periods.

Judgments and estimates made by management that may have a significant risk of material adjustments to the financial statements in subsequent years are as follows:

- Estimation of provision against doubtful trade debts
- Valuation of investment in ordinary shares of LSE Financial Services Limited
- Useful life of depreciable assets
- Intangible assets
- Taxation

3 New standards, amendments to approved accounting standards and new interpretations

3.1 Amendments to approved accounting standards and interpretations which are effective during the year ended June 30, 2019

There are certain new standards, interpretations and amendments to approved accounting standards which are mandatory for the Company's accounting periods beginning on or after July 1, 2018 but are considered not to be relevant or have any significant effect on the Company's financial reporting, except as mentioned below:

- IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 'Revenue', IAS 11 'Construction Contracts', and the related interpretations on revenue recognition.

  IFRS 15 introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognise revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those promised goods or services.

  As a result, the Company has considered affects due to application of this standard and concluded that there is no material impact resulting from such adoption.

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

As a result of application of IFRS 9, investments in equity instrument of LSE Financial Services amounting Rs.5,100,000 as at July 1, 2018 have been reclassified from 'available for sale' to 'fair value through other comprehensive income'. In accordance with the transitional provisions of IFRS 9, comparative figures and their related gains/(losses) have been reclassified in the opening statement of changes in equity. Further, the company elected to present in other comprehensive income changes in fair value of these equity investment. As a result, asset with a cost of Rs.5,100,000 was reclassified from available-for-sale financial asset to financial asset at fair value through other comprehensive income (FVTOCI) on July 01, 2018. Further, all financial assets previously classified under the head 'loans and receivables' are now classified as 'amortised cost'.

3.2 New standards, amendments to approved accounting standards and interpretations that are effective for the Company's accounting periods beginning on or after July 1, 2019

There are certain new standards, amendments and interpretations to the approved accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2019. However, these will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (if any).

Depreciation is charged on reducing balance method at the rates mentioned in the relevant notes to the financial statements. Depreciation on additions is charged for the month in which an asset is acquired while no depreciation is charged for the month in which an asset is disposed off. Normal repair and maintenance is charged to revenue as and when incurred, while major renewals and replacements are capitalized.

Gain or loss on disposal of property and equipment, if any is taken to profit or loss account.

4.2 INTANGIBLE ASSETS

Intangible assets with finite useful life are stated at cost less amortization and impairment, if any. The carrying amount is reviewed at each reporting date to assess whether it is in excess of its recoverable amount, and where carrying value exceeds estimated recoverable amount, it is written down to estimated recoverable amount.

4.2.1 Membership card and offices

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

4.2.2 Computer Software

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

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

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

Computer software and license costs are stated at cost less accumulated amortization and any identified impairment loss and amortized through reducing balance method.

Amortization is charged when asset is available for use until asset is disposed off.

4.3 Financial instruments

4.3.1 Financial assets

The Company classifies its financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

a) *Financial assets at amortised cost*

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

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

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Financial assets are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

Equity instrument financial assets/mutual funds are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

4.3.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

4.3.3 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the financial statements 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.

4.4 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognized at fair value. Any directly attributable transaction costs are recognised in the statement of profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in statement of profit or loss.

4.5 TRADE DEBTS AND OTHER RECEIVABLES

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognised at fair value. The Company holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortised cost using the effective interest method. Impairment of trade debts and other receivables is described in note 4.3.

4.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash balances and call deposits. For the purpose of cash flow statement cash and cash equivalents comprise cash in hand, bank balances and running finances.

4.7 SHARE CAPITAL

Ordinary shares are classified as equity and recognized at their face value.

4.8 BORROWINGS

Borrowings are recorded initially at fair value, net of transaction cost incurred.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that qualifying asset.

4.9 TAXATION

Current

Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits, brought forward losses, accelerated depreciation allowances and any minimum limits imposed by the taxation laws.

Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognized for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset may be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted by the reporting date.

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to comprehensive income or equity, in which case it is included in comprehensive income or equity.

4.10 TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at cost, which is the fair value of the consideration to be paid, in the future for goods and services received and subsequently measured at amortized cost.

4.11 PROVISIONS

Provisions are recognized when the company has a legal or constructive obligation as a result of past events and it is probable that an out flow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent assets are not recognized and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognized and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

4.12 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

Transactions denominated in foreign currencies are translated to Pakistan Rupees at the exchanges rate ruling at the date of transaction.

Monetary assets and liabilities in foreign currencies at reporting date are translated into Pakistan Rupees at exchange rates ruling on that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

4.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of non-financial assets other than inventories, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised as an expense in the profit of loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessment of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

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. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

4.14 REVENUE RECOGNITION

Revenue is recognised when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable, net of any discounts and sales tax. Revenue is recognized on the following basis:

- Brokerage, consultancy and advisory fee, commission etc. are recognized as and when such services are provided, and thereby the performance obligations are satisfied.
- Profit on saving accounts, profit on exposure deposits and markup on marginal financing is recognized at effective yield on time proportion basis.
- Gains/(losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Dividend income is recorded when the right to receive the dividend is established.
- Unrealised gains / (losses) arising on revaluation of securities classified as 'fair value through other comprehensive income' are included in other comprehensive income in the period in which they arise.
- Unrealised gains / (losses) arising on revaluation of securities classified as 'fair value through profit or loss' are included in profit or loss in the period in which they arise.
- Other revenues are recorded, as and when due, on accrual basis.

4.15 BASIC AND DILUTED EARNINGS PER SHARE

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.16 RELATED PARTY TRANSACTIONS

Transactions and contracts with the related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method. Transactions with related parties have been disclosed in the relevant notes to the financial statements.

	Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
7 INTANGIBLE ASSETS			
Rights of room		34,844,040	34,844,040
Trading right entitlement certificate PSX	7.1	2,500,000	2,500,000
Less: Impairment loss		-	-
		2,500,000	2,500,000
Membership of Pakistan Mercantile Exchange Limited		2,500,000	2,500,000
Membership of Royal Palm Country Club		400,000	400,000
Karachi Stock Exchange		-	7,635,000
Less: Impairment loss	7.2	-	(7,635,000)
		-	-
		40,244,040	40,244,040

7.1 This represents Trading Right Entitlement Certificate (TREC) received from the Pakistan Stock Exchange Limited without any additional payment, in lieu of TREC issued by the Lahore Stock Exchange Limited, surrendered on, January 10, 2016 on the consequence of Scheme(s) of Integration approved by the Securities and Exchange Commission of Pakistan vide Order No. 01/2016 dated January 11, 2016 under regulation 6 (8) of the Stock Exchange (Corporatization, Demutualization and Integration) Regulations, 2012. The Trading Right Entitlement Certificate is pledged/mortgaged with the Pakistan Stock Exchange Limited as a collateral for running the brokerage business and to meet partly, the Base Minimum Capital Requirement. It has been carried at cost less impairment.

7.2 The company failed to exercise its right in respect of transfer of excess transferable TREC and excess TREC certificate stood lapsed. Full impairment has been charged accordingly in these financial statements accordingly.

	Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
8 LONG TERM INVESTMENT			
Unquoted - Shares of LSE Financial Services Limited:			
Fair value through OCI			
Cost as at July 01,	8.1	18,238,278	5,100,000
Fair value adjustment		-	13,138,278
		18,238,278	18,238,278

8.1 Pursuant to the promulgation of the Stock Exchanges (Corporation, Demutualization and Integration) Act, 2012 (The Act), The Lahore Sock Exchange Limited, now LSE Financial Services Limited had allotted 843,974 shares of the face value of Rs. 10 each to the TREC holder. All shares are held in freeze status in the respective CDC sub-account of the TREC holder. The divestment of the same will be made in accordance with the requirements of the Act within one year from the date of Scheme(s) of Integration approved by the Securities and Exchange Commission of Pakistan vide Order No. 01/2016 dated January 11, 2016 under regulation 6 (8) of the Stock Exchange (Corporatization, Demutualization and Integration) Regulations, 2012. The Company has pledged 843,874 shares of LSE Financial Services Limited with the Pakistan Stock Exchange to fulfill the Base Minimum Capital requirement.

The Company, as per its policy, carried out the valuation of the aforementioned investments. In this connection, the valuation technique used by the Company was Discounted Cash Flow of Earnings method. Assumptions and inputs used in the valuation are post-tax earnings, historic growth rate of earning, rate of return on equity, risk premium. Principal assumptions used in the valuation of above unquoted investments are based on current market/industry conditions in respect of discount rate and growth rate. Business net cash flow forecast over an indefinite (infinity) has been assumed.

		Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
9	**LONG TERM DEPOSITS**			
	Deposits with:			
	National Clearing Company of Pakistan Ltd.		1,000,000	1,000,000
	Pakistan Mercantile Exchange Ltd.		750,000	750,000
	Security deposit against offices		170,000	170,000
			1,920,000	1,920,000
10	**LONG TERM ADVANCES**			
	Advances against purchase of of land and building	**10.1**	16,042,123	15,411,187

10.1 These represent advances against purchase of land and building. These have been entered into by Mr. Syed Asim Zafar-Chief Executive and the same shall be transfererd in the name of company after complete payments/acquiring possession.

11 ACCOUNT RECEIVABLES

	Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
Receivable from:			
Clients on account of purchase of shares		43,964,968	43,207,214
Less: Provision for doubtful debts	11.1	(10,940,667)	(10,940,667)
		33,024,301	32,266,547
National Clearing Company of Pakistan Ltd.		21,584,564	3,735,362
		54,608,865	36,001,909

11.1 Movement is as follows

Opening Balance	10,940,667	15,823,875
Less: Balances written off	-	(13,367)
Add: (Reversal)/provision made during the year	-	(4,869,841)
	10,940,667	10,940,667

Aging analysis

11.2	Upto five days	4,758,304	11,232,695
	More than five days	27,508,243	32,252,497
		32,266,547	43,485,192

11.3 Receivable from clients on account of purchase of shares include the following balances due from the following related parties:

Name of related party	Basis of relationship	Maximum aggregate amount Rupees	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
Mr. Syed Asim Zafar	Chief Executive	1,005,375	-	566,221
Mr. Saima Zafar	Director	233,075	233,075	232,067
			233,075	798,288

12 LOANS AND ADVANCES

	Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
(Unsecured but considered good)			
Advances to:			
Employees		5,073,812	5,105,438

	Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
13 INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS			
Investment in listed securities			
Carrying value		53,676,744	69,801,144
Gain/(Loss) on remeasurement of investment at fair value		10,352,166	(23,783,157)
		64,028,910	46,017,987

This includes shares having carrying value of Rs. 17,200,274 (2018: Rs. 25,767,514) pledged with National Clearing Company of Pakistan Ltd.

	Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
14 TRADE DEPOSITS, SHORT TERM REPAYMENTS AND CURRENT ACCOUNT BALANCE WITH STATUTORY AUTHORITIES			
Deposits with:			
National Clearing Company of Pakistan Ltd.	14.1	25,540,000	13,840,000
Pakistan Mercantile Exchange Ltd.		593,839	593,839
		26,133,839	14,433,839
Tax deducted at source		7,471,543	6,938,318
Prepayments		118,515	118,515
		33,723,897	21,490,672

14.1 This represents deposit with National Clearing Company of Pakistan Limited against exposure margin in respect of trade in future and ready market. These deposits carry profit at rates ranging from 3.5% to 10% (2018: 2.8% to 3.8%) per annum.

	Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
15 CASH AND BANK BALANCES			
These were held as under:			
Cash in hand		181,681	224,264
Cash at bank			
Current Accounts:			
Pertaining to brokerage house	15.1	731,908	779,255
Peratining to clients		63,048,340	65,091,997
		63,780,248	65,871,252
Saving Accounts:			
Pertaining to brokerage house	15.2	134,816	431,926
Peratining to clients	15.3	1,799,852	351,984
		1,934,668	783,910
		65,896,597	66,879,426

15.1 This includes balance amounting Rs. 36,013 and Rs. 19,426 pertaining to client group account and proprietary account in Pakistan Mercantile Exchange Limited.

15.2 It carries markup @ 4.50% to 10.25% (2018: 3.25% to 3.85%) per annum.

15.3 It carries markup @ 4.50% to 10.25% (2018: 3.25% to 3.85%) per annum.

	Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
16 SHARE CAPITAL			
Authorized			
3,000,000 (2018: 3,000,000) ordinary shares of Rs.100 each		300,000,000	300,000,000
Issued, subscribed and paid up			
2,000,000 (2018: 2,000,000) ordinary shares of Rs.100 each fully paid in cash		200,000,000	200,000,000

17 Pattern of Shareholding:

	% age of Shares Held		Number of Shares Held	
	Dec 31, 2019	Jun 30, 2019	Dec 31, 2019	Jun 30, 2019
Categories of shareholders				
Individual				
Chief Executive officer (CEO):				
Syed Asim Zafar	79.99995%	79.99995%	1,599,999	1,599,999
Directors:				
Syeda Khola Hussain	20.0000%	20.0000%	400,000	400,000
Saima Zafar	0.00005%	0.00005%	1	1
	100%	100%	2,000,000	2,000,000

	Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
18 DEFERRED TAXATION			
Deferred credits/(debits) arising due to:			
Accelerated tax depreciation		1,508,794	-
Provision for doubtful debts		(3,119,269)	(3,112,188)
Brought forward losses		(21,271,086)	(21,469,108)
Minimum tax		(381,449)	-
		(23,263,010)	(24,581,296)
Balance as at July 01,		-	-
Add: Charge for the year		-	-
		-	-

At the year end net deductible temporary differences amounting Rs.95.12 million (2018: Rs.89.44 million) which results in a net deferred tax asset of Rs.27.90 million (2018: Rs.25.94 million). However, deferred tax asset has not been recognized in these financial statements being prudent. Management is of the view that recognition of deferred tax asset shall be reassessed as at June 30, 2019.

	Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
19 DEPOSITS, ACCRUED LIABILITIES AND ADVANCES			
Accrued expenses		720,422	1,896,029

	Note	Dec 31, 2019	Jun 30, 2019
20 TRADE AND OTHER PAYABLES			
Creditors for sale of shares on behalf of clients	**19.1& 19.2**	104,837,350	70,580,602
		104,837,350	70,580,602

20.1 The total value of securities pertaining to clients are Rs. 1,966,911,279 (2018: Rs.2,682,500,988) held in sub-accounts of the company. No client security is pledged with the financial institutions except with National Clearing Company of Pakistan Ltd. amounting Rs.28,748,300 (2018: Rs.52,921,311) for exposure margin.

20.2 Creditors for sale of shares on behalf of clients include the following amount due from the following related parties:

Name of related party	Basis of relationship	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
Mr. Syed Asim Zafar	Chief Executive	283,854	283,854
Ms. Syeda Khola Hussain	Director	34,373	34,373
		318,227	318,227

21 LOAN FROM RELATED PARTIES

		Note	Dec 31, 2019	Jun 30, 2019
Ms. Saima Zafar	Director		18,500,000	20,000,000
Mr. Syed Asim Zafar	Chief Executive	**21.1**	4,290,364	5,870,364
			22,790,364	25,870,364

		Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
21.1	**Movement of loan from Mr. Syed Asim Zafar Chief Executive**			
	Balance as at July 01,		5,870,364	12,093,364
	Add: Loan received during the year		-	-
	Less: Adjustment/repayment during the year		1,580,000	6,223,000
			4,290,364	5,870,364

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

Contingencies as at reporting date were Rs. nil (2018: Rs. nil).

22.2 Commitments

Commitments in respect of capital expenditures as at June 30, 2019 were amounting Rs. 3.96 million (2018: Rs. 5.29 million).

		Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
23	**BROKERAGE AND COMMISSION**			
	Retail customers	**23.1**	22,430,240	31,249,647
	Less: Sales tax		3,093,826	4,310,296
			19,336,414	26,939,351

23.1 Brokerage and commission earned from retail customers includes the following amounts of commission earned from relaed parties:

Name of related party	Basis of relationship	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
Mr. Syed Asim Zafar	Chief Executive	6,885	-

24 DIRECT COST

	Dec 31, 2019	Jun 30, 2019
Charges paid to:		
Pakistan Stock Exchange Ltd.	1,304,062	2,683,726
National Clearing Company of Pakistan Ltd.	417,421	865,199
Central Depositry Company of Pakistan Ltd.	1,424,119	2,970,675
SECP Transaction Fee	117,407	178,373
	3,263,009	6,697,973

	Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
25 OPERATING EXPENSES			
Directors' remuneration		1,725,000	3,750,000
Staff salaries and benefits		9,806,619	13,607,701
Rent, rates and taxes		941,947	2,051,878
Communication expenses		658,765	1,626,542
Utility charges		959,962	1,427,764
Postage and courier charges		81,414	174,470
Printing and stationery		246,784	206,825
Repair and maintenance		1,882,419	2,728,422
Insurance		462,710	362,118
Legal and professional charges	25.1	590,854	485,750
Fee and subscription		779,576	155,825
Charity and donation		26,000	32,000
Zakat		-	26,840
Books and newspapers		2,624	12,027
Entertainment		1,197,914	1,603,917
Travelling and conveyance		2,031,019	304,410
Vehicle running and maintenance		167,900	282,173
Advertisement		-	4,641
Depreciation	6	2,254,041	5,129,945
Others		61,264	86,273
		23,876,812	34,059,521

25.1 Auditors' remuneration

It includes auditor's remuneration as detailed below:

	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
Amin, Mudassar & Co.		
Chartered Accountants		
Statutory audit	-	220,500
Certification fee	-	21,000
IECnet S.K.S.S.S		
Chartered Accountants		
Statutory audit and certification fee	-	-
	-	241,500

	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
26 OTHER OPERATING EXPENSES		
Impairment loss on TRE certificate	-	7,635,000
Loss on remeasurement of investment at fair value through profit or loss	-	23,783,157
Balances written off	229,486	25,000
Provision for doubtful debts	-	-
	229,486	31,443,157

	Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
27 OTHER INCOME			
Income from financial assets			
Dividend income		158,868	2,264,937
Interest income		2,950,564	3,856,165
Gain on remeasurement of investment at fair value through profit or loss		10,352,166	
Reversal of provision of doubtful debts		-	4,869,841
		13,461,598	10,990,943
Income from assets other than financial assets			
Gain on sale of fixed assets		-	1,694,653
Other income		6,063,970	3,010,900
		6,063,970	4,705,553
		19,525,568	15,696,496

28 FINANCE COST

	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
Bank charges	15,502	58,009
Markup on overdraft	-	7,104
	15,502	65,113

29 TAXATION

	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
Income tax:		
-Current	-	769,734
-Prior year	-	-
-Deferred	-	-
	-	769,734

29.1 Income tax assessment of the Company has been finalized up to tax year 2018 on the basis of returns filed as the company did not receive any notice in this respect.

29.2 No numeric tax rate reconciliation is presented for the current and prior year in these financial statements as the company is either liable to pay tax under final tax regime or minimum tax u/s 113 of Income Tax Ordinance, 2001.

30 EARNINGS PER SHARE - BASIC AND DILUTED

	Dec 31, 2019	Jun 30, 2019
Loss for the year-Rupees	17,142,587	-31,778,178
Weighted average number of ordinary shares outstanding during the year-Numbers	2,000,000	2,000,000
Earnings per share-Rupees	8.57	(15.89)

31 NUMBER OF EMPLOYEES

	Dec 31, 2019	Jun 30, 2019
	(Number)	
Total number of employees at the end of year	27	27
Average number of employees at the year end	29	29

32 REMUNERATION TO CHIEF EXECUTIVE AND DIRECTORS

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits to the chief executive and directors of the company is as follows:

	Chief Executive		Directors	
	Dec 31, 2019	Jun 30, 2019	Dec 31, 2019	Jun 30, 2019
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	1,250,000	1,250,000	475,000	2,500,000
Number of persons	1	1	2	2

The Chief Executive and directors are entitled to free use of company's vehicles according to the company policy.

33 TRANSACTIONS WITH RELATED PARTIES

Significant transactions and balances with related parties have been disclosed in the relevent notes to the financial statements.

34 FINANCIAL INSTRUMENTS BY CATEGORY

	Dec 31, 2019	Jun 30, 2019
	Rupees	Rupees
Financial assets and financial liabilities		
Financial assets		
Financial instruments- available for sale		
Long term investment	18,238,278	18,238,278
Investment at fair value through profit or loss	64,028,910	46,017,987
Loans and receivables		
Long term deposits	1,920,000	1,920,000
Trade debts	54,608,865	36,001,909
Trade deposits and other receivables	26,133,839	14,433,839
Accrued interest	18,498	-
Cash and bank balances	65,896,597	66,879,426
	148,577,799	119,235,174

	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
Financial liabilities		
Financial liabilities at amortized cost		
Deposits, accrued liabilities and advances	720,422	1,896,029
Loan from related parties	22,790,364	25,870,364
Trade and other payables	104,837,350	70,580,602
	128,348,136	98,346,995

35 FINANCIAL RISK MANAGEMENT

35.1 The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest/mark-up rate risk and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous periods in the manner described in notes below.

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

a) Credit Risk

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

Exposure to Credit Risk

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

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

	Note	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
Long term investment		18,238,278	18,238,278
Investment at fair value through profit or loss		64,028,910	46,017,987
Long term deposits		1,920,000	1,920,000
Trade debts	35.1.1	54,608,865	36,001,909
Short term deposits		26,133,839	14,433,839
Accrued interest		18,498	18,498
Bank balances	35.1.2	65,714,916	66,655,162
		230,663,306	183,285,673

35.1.1 The maximum exposure to credit risk for trade debts is due from local clients and the aging of trade debts at the reporting date was:

	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
Upto 1 month	24,313,258	32,852,363
1 to 6 months	10,844,971	14,653,854
More than 6 months	843,680	1,139,990
	36,001,909	48,646,207

Based on the past experience the management believes that no impairment allowance is necessary in respect of unprovided past due amounts as there are reasonable grounds to believe that the amounts will be recovered in short course of time.

35.1.2 Concentration of credit risk

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

Geographically there is no concentration of credit risk.

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

	Rating	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
Cash at banks	A1+	62,074,405	62,242,747
	A2	3,640,511	4,412,415
		65,714,916	66,655,162

b) Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

	Dec 31, 2019			
	Carrying Amount	Contractual Cash Flows	Maturity Upto One Year	Maturity After One Year
	-----------------------R u p e e s-----------------------			
Deposits, accrued liabilities and advances	720,422	720,422	720,422	-
Trade and other payables	104,837,350	104,837,350	104,837,350	-
Loan from related parties	22,790,364	22,790,364	22,790,364	
	128,348,136	128,348,136	128,348,136	-

	Jun 30, 2019			
	Carrying Amount	Contractual Cash Flows	Maturity Upto One Year	Maturity After One Year
	-----------------------R u p e e s-----------------------			
Deposits, accrued liabilities and advances	1,896,029	1,896,029	1,896,029	-
Trade and other payables	70,580,602	70,580,602	70,580,602	-
Loan from related parties	25,870,364	25,870,364	25,870,364	
Provision for taxation	-	-	-	
	98,346,995	98,346,995	98,346,995	-

Liquidity Risk Management

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

The company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the company ensures that it has sufficient cash on demand to meet expected operational cash flows, including serving of financial obligations. This includes maintenance of balance sheet liquidity ratios. Further, the company has the support of its sponsors in respect of any liquidity shortfalls.

c) Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the company's net profit or the fair value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

i) Foreign Currency Risk

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

ii) Price Risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Presently, daily stock market fluctuation is controlled by government authorities with cap and floor of 5%. The restriction of floor prices reduces the volatility of prices of equity securities and the chances of market crash at any moment.

Sensitivity Analysis

The table below summarizes Company's equity price risk as of 30 June 2019 and 2018 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices of investments through profit and loss as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Company's equity investment portfolio.

	Fair Value	Hypothetical Price Change	Estimated Fair Value After Hypothetical Change In Price	Hypothetical Increase/(Decrease) in Share Holders' Equity
	Rupees		Rupees	Rupees
Dec 31, 2019	64,028,910	10% increase	70,431,801	6,402,891
		10%	57,626,019	(6,402,891)
June 30, 2019	46,017,987	10% increase	50,619,786	4,601,799
		10%	41,416,188	(4,601,799)

iii) Interest Rate Risk

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

The effective interest / mark-up rates in respect of financial instruments are mentioned in respective notes to the financial statements.

Sensitivity Analysis

The company is exposed to interest rate risk in respect of its variable rate instruments. A 100 basis points increase in variable interest rates would have increased profit by Rs.146,239 (2018: Rs.308,634). A 100 basis points decrease in variable interest rate would have had an equal but opposite impact on profit. This sensitivity analysis is based on assumption that all variables, with the exception of interest rates, remain unchanged.

35.2 Fair value of financial instruments

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

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The estimated fair value of all financial assets and liabilities is considered not significantly different from book values as the items are either short - term in nature or periodically reprised.

International Financial Reporting Standard 13, 'Financial Instruments : Disclosure' requires the company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- 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 2) ; and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Dec 31, 2019		
	Level 1	Level 2	Level 3
	-----------------Rupees-----------------		
Financial assets			
Investment at fair value through	64,028,910	-	-
Investments available for sale	-	18,238,278	-
	64,028,910	18,238,278	-

	Jun 30, 2019		
	Level 1	Level 2	Level 3
	-----------------Rupees-----------------		
Financial assets			
Investment at fair value through profit and loss	46,017,987	-	-
Investments available for sale	-	18,238,278	-
	46,017,987	18,238,278	-

35.3 Capital risk management

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

In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings:

	Dec 31, 2019 Rupees	Jun 30, 2019 Rupees
Total borrowings	-	-
Total equity	199,405,791	182,263,204
Total Capital	199,405,791	182,263,204
Gearing Ratio	0%	0%

36 OPERATING SEGMENT

36.1 These financial statements have been prepared on the basis of a single reportable segment which is consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

36.2 All non-current assets of the Company as at June 30, 2019 are located in Pakistan.

38 GENERAL

Figures have been rounded off to the nearest of rupee.

39 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 18 FEB 2020 by the Board of Directors of the Company.

CHIEF EXECUTIVE

ZAFAR SECURITIES (PVT) LTD.
PSX TREC
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DIRECTOR