RSM

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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Opinion

We have audited the annexed financial statements of **AM Chaudhry Securities (Private) Limited (the Company)** , which comprise the Statement of financial position as at **June 30, 2020** and the Statement of profit Or loss and 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 (Collectively, the "financial Statements"), and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our 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 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 Company's affairs as at June 30, 2020 and of its profit or loss and other comprehensive income, the changes in equity and its cash flows for the year the then ended.

Basis of Opinion

We conducted our audit in accordance with the 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 approved Accounting Standards as applicable in Pakistan and requirements of the Companies Act, 2017 (XIX of 2017). Management is also responsible for such internal controls as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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, any 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 misstatements, 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 it is a not guarantee that an audit conducted in accordance with ISAs will always detect material misstatements when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatements 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 of 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 controls 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 going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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; and

- 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.

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

Report on other legal and Regulatory Requirements

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

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

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

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

d) Zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the central Zakat Fund established under section 7 of that Ordinance; and

e) The Company was in compliance with requirements of section 78 of the Securities Act 2015, and the relevant requirements of the Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the balance sheet was prepared.

Other Matter

The financial statements of **AM Chaudhry Securities (Private) Limited** for the year ended 30 June 2019 were audited by another firm of chartered accountants who expressed an unmodified opinion on those financial statements on October 02, 2019.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Nauman Mehmood, FCA.

M/S RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
ISLAMABAD
DATE:

AM CHAUDHRY SECURITIES (PRIVATE) LIMITED

Financial Statements

For the Year Ended 30 June 2020

Schedule III

[see regulation 6(4)]

Statement of liquid capital with the Commission and the securities exchange

AM Chaudhry Securities (Private) Limited

Computation of Liquid Capital

As on June 30, 2020

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.1	Property & Equipment	203,864	100.00%	
1.2	Intangible Assets	2,500,000	100.00%	
1.3	Investment in Govt. Securities (150,000*99)	-		
1.4	Investment in Debt. Securities			
	If listed than:			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.		5.00%	
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.		7.50%	
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.		10.00%	
	If unlisted than:			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.		10.00%	
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.		12.50%	
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.		15.00%	
1.5	Investment in Equity Securities			
	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.		-	
	ii. If unlisted, 100% of carrying value.	19,158,233	100.00%	
	iii.Subscription money against Investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been alloted or are not included in the investments of securities broker.			
1.6	Investment in subsidiaries			
1.7	Investment in associated companies/undertaking			
	i. If listed 20% or VaR of each securities as computed by the Securites Exchange for respective securities whichever is higher.			
	ii. If unlisted, 100% of net value.		100.00%	
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	400,000	100.00%	
1.9	Margin deposits with exchange and clearing house.	-		
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-		
1.11	Other deposits and prepayments	222,331	100.00%	

1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil)			
	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties			
1.13	Dividends receivables.			
1.14	Amounts receivable against Repo financing.			
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months			
	ii. Receivables other than trade receivables		100.00%	
1.16	**Receivables from clearing house or securities exchange(s)**			
	100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.			
	claims on account of entitlements against trading of securities in all markets including MtM gains.			
1.17	Receivables from customers			
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. ***i. Lower of net balance sheet value or value determined through adjustments.***			
	ii. Incase receivables are against margin trading, 5% of the net balance sheet value.			
	iii. Incase receivalbes are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, ***iii. Net amount after deducting haricut***			
	iv. Incase of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. ***iv. Balance sheet value***	50,500		50,500
	v. Incase of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. ***v. Lower of net balance sheet value or value determined through adjustments***	251,570	10,844,324	88,887
	vi. 100% haircut in the case of amount receivable form related parties.		100.00%	

1.18	**Cash and Bank balances**			
	I. Bank Balance-proprietory accounts	5,507,029		5,507,029
	ii. Bank balance-customer accounts	1,991,241		1,991,241
	iii. Cash in hand	264		264
1.19	**Total Assets**	**30,285,031**		**7,637,921**

2. Liabilities

2.1	**Trade Payables**			
	i. Payable to exchanges and clearing house			
	ii. Payable against leveraged market products			
	iii. Payable to customers	1,997,257		1,997,257
2.2	**Current Liabilities**			
	i. Statutory and regulatory dues			
	ii. Accruals and other payables	507,360		507,360
	iii. Short-term borrowings			
	iv. Current portion of subordinated loans			
	v. Current portion of long term liabilities			
	vi. Deferred Liabilities			
	vii. Provision for bad debts	42,428		42,428
	viii. Provision for taxation	23,024		23,024
	ix. Other liabilities as per accounting principles and included in the financial statements			
2.3	**Non-Current Liabilities**			
	i. Long-Term financing			
	a. Long-Term financing obtained from financial instituion: Long term portion of financing obtained from a financial institution including amount due against finance lease			
	b. Other long-term financing			
	ii. Staff retirement benefits			
	iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Boad of Directors of the company has approved the increase in capital c. Relevant Regulatory approvals have been obtained d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e. Auditor is satisfied that such advance is against the increase of capital			
	iv. Other liabilities as per accounting principles and included in the financial statements			
	v.Deffered Liability			

	Subordinated Loans			
2.4	i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified: a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period b. No haircut will be allowed against short term portion which is repayable within next 12 months. c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.	10,082,568		-
2.5	ii. Subordinated loans which do not fulfill the conditions specified by SECP			
	Total Liabilites	12,652,637	-	2,570,069

3. Ranking Liabilities Relating to :

3.1	Concentration in Margin Financing			
3.2	The amount calculated client-to- client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.			
	Concentration in securites lending and borrowing			
3.3	The amount by which the aggregate of:			
	Net underwriting Commitments			
3.3	<u>(a) in the case of right issuse :</u> if the market value of securites is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issuse where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting			
3.4	**(b) in any other case :** 12.5% of the net underwriting commitments			
	Negative equity of subsidiary			
3.5	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary			
	Foreign exchange agreements and foreign currency positions			
3.6	5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign cuurency less total liabilities denominated in foreign currency			
3.7	Amount Payable under REPO			

	Repo adjustment			
3.8	**In the case of financier/purchaser** the total amount receivable under Repo less the 110% of the market value of underlying securites. **In the case of financee/seller** the market value of underlying securities after applying haircut less the total amount received ,less value of any securites deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.			
	Concentrated proprietary positions	-	-	-
	If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position,then 10% of the value of such security			
3.9	Opening Positions in futures and options			
	i. In case of customer positions, the total margin requiremnets in respect of open postions less the amount of cash deposited by the customer and the value of securites held as collateral/ pledged with securities exchange after applyiong VaR haircuts			
	ii. In case of proprietary positions , the total margin requirements in respect of open positions to the extent not already met			
	Short selll positions			
3.10	i. Incase of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts			
3.11	ii. Incase of proprietory positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.			
	Total Ranking Liabilites		-	-

Calculations Summary of Liquid Capital **5,067,851**

5,067,851

(i) Adjusted value of Assets (serial number 1.19)

(ii) Less: Adjusted value of liabilities (serial number 2.5)

(iii) Less: Total ranking liabilities (series number 3.11)

Note:

AM Chaudhry Securities Private Limited

CORPORATE TREC HOLDER OF PAKISTAN STOCK EXCHANGE LIMITED

STATEMENT OF NET CAPITAL BALANCE

(In accordance with Regulation 6(4) of the Securities Brokers' (Licensing & Operations) Regulations, 2016)

AS AT June 30, 2020

		Basis of Accounting	Notes	Amount	Total
A.	Description of Current Assets				
1	Cash in hand & Cash in bank	As per book value.	2		
	Cash in hand			264	
	Cash at bank-House Account			5,507,029	
	Cash at bank-Client Account			1,991,241	
					7,498,533
2	Margin deposits			-	
3	Trade receivables	Book value less those overdue for more than 14 days.		302,070	
	Less: Outstanding for more than 14 days			251,570	
					50,500
4	Investment in listed securities in the name of company	Securities on the Exposure List to Market less 15 % discount.	3	-	
5	Securities purchased for client			233,921	233,921
					7,782,955
B.	Description of Current Liabilities				
1	Trade payables	Book value less those overdue for more than 30 days.		1,997,257	
	Less: Overdue more than 30 days			1,373,682	
					623,575
2	Other liabilites	As classified under Generally Accepted		1,881,042	1,881,042
					2,504,617
	NET CAPITAL BALANCE				5,278,338

Chief Executive

Umer Arif

Director

AM CHAUDHRY SECURITIES (PRIVATE) LIMITED

Statement of Financial Position

As at 30 June, 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
Non-current assets			
Property and equipment	5	170,395	203,863
Intangible assets	6	2,500,000	2,500,000
Long term investments	7	19,605,540	19,158,233
Long term deposits	8	400,000	400,000
		22,675,934	**22,262,096**
Current assets			
Trade debts - net	9	302,070	117,347
Income tax refundable	10	56,133	165,946
Cash and bank balances	11	7,498,533	6,313,216
		7,856,736	**6,596,509**
		30,532,671	**28,858,605**
EQUITY & LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid-up capital	12	10,000,000	10,000,000
Unappropriated profit		(7,243,327)	(6,377,002)
Unrealized surplus / (deficit) on re-measurement of investments measured at FVOCI		15,165,789	14,718,483
Total equity		**17,922,462**	**18,341,481**
Non-Current Liabilities			
Loan from Directors	14	10,082,568	9,382,568
		10,082,568	**9,382,568**
Current liabilities			
Trade and other payables	13	2,504,617	1,056,102
Provision for taxation	15	23,024	78,454
		2,527,641	**1,134,556**
Contingencies and commitments	16	-	-
		30,532,671	**28,858,605**

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

AHL2

Chief Executive Officer

A.M. CHAUDHRY SECURITIES (PVT) LTD. TREC HOLDER

Umer Arif

Director

AM CHAUDHRY SECURITIES (PRIVATE) LIMITED
Statement of Profit or Loss
For the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
Operating revenue	17	1,019,526	464,173
		1,019,526	464,173
Operating and administrative expenses	18	(1,841,237)	(1,900,312)
Operating (loss)		**(821,711)**	**(1,436,139)**
Financial charges	19	(1,380)	(63,477)
Other income	20	58,043	344,623
(Loss) before taxation		**(765,049)**	**(1,154,993)**
Taxation	21	101,277	39,227
(Loss) for the year		**(866,326)**	**(1,194,220)**
Earnings/(loss) per share - basic	22	**(8.66)**	**(11.94)**

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

Chief Executive Officer

Director

AM CHAUDHRY SECURITIES PRIVATE LIMITED

Statement of Other Comprehensive Income

For the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
(Loss) for the year		(866,326)	(1,194,220)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss		-	-
Fair value gain on remeasurement of available for sale investments	7	447,307	3,899,165
Items that will not be reclassified subsequently to profit or loss			
Total comprehensive (loss) / income for the year		**(419,019)**	**2,704,945**

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

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Chief Executive

A.M. CHAUDHRY SECURITIES (PVT) LTD. TREC HOLDER

Director

AM CHAUDHRY SECURITIES PRIVATE LIMITED
Statement of Changes in Equity
For the year ended June 30, 2020

	Issued, subscribed and paid-up capital	Unappropriated profit/ (loss)	Unrealized surplus / (deficit) on re-measurement of investments measured at FVOCI	Total
	......Rupees......			
Balance as at July 1, 2017	10,000,000	(2,232,930)	-	7,767,070
Total comprehensive income for the year				
Profit/Loss for the year	-	(2,949,852)	-	(2,949,852)
Other comprehensive income/(loss)	-	-	10,819,318	10,819,318
	-	**(2,949,852)**	**10,819,318**	**7,869,466**
Balance as at June 30, 2018	**10,000,000**	**(5,182,782)**	**10,819,318**	**15,636,536**
Total comprehensive income for the year				
Profit/Loss for the year	-	(1,194,220)	-	(1,194,220)
Other comprehensive income/(loss)	-	-	3,899,165	3,899,165
	-	**(1,194,220)**	**3,899,165**	**2,704,945**
Balance as at June 30, 2019	**10,000,000**	**(6,377,002)**	**14,718,483**	**18,341,481**
Total comprehensive income for the year				
Profit/Loss for the year	-	(866,326)	-	(866,326)
Other comprehensive income/(loss)	-	-	447,307	447,307
	-	**(866,326)**	**447,307**	**(419,019)**
Balance as at June 30, 2020	**10,000,000**	**(7,243,327)**	**15,165,789**	**17,922,462**

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

Chief Executive Officer

Director

AM CHAUDHRY SECURITIES PRIVATE LIMITED
Statement of Cash Flows
For the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(765,049)**	**(1,154,993)**
Adjustments:			
Depreciation & Amortization		33,468	84,086
Provision for doubtful debts		(17,362)	(212,492)
Dividend income		(675,180)	(421,988)
		(659,074)	**(550,394)**
Operating loss before working capital changes		**(1,424,123)**	**(1,705,387)**
(Increase)/decrease in current assets			
Trade debts - net		(167,361)	95,343
income tax refundable		109,813	-
Increase/(decrease) in current liabilities			
Trade and other payables		1,448,515	(656,942)
		1,390,967	**(561,599)**
Cash (used in) operations		**(33,156)**	**(2,266,986)**
Dividends received		675,180	421,988
Taxes paid		(156,707)	(89,237)
		518,473	**332,751**
Net cash generated from / (used in) operating activities		**485,318**	**(1,934,235)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		-	(50,000)
Decrease / (increase) in long-term deposits		-	100,000
Net cash generated from / (used in) investing activities		**-**	**50,000**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan from Directors		700,000	838,469
Net cash generated from / (used in) financing activities		**700,000**	**838,469**
Net increase / (decrease) in cash and cash equivalents		**1,185,318**	**(1,045,766)**
Cash and cash equivalents at the beginning of the year		**6,313,216**	**7,358,982**
Cash and cash equivalents at the end of the year	*11*	**7,498,534**	**6,313,216**

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

Chief Executive Officer

AM CHAUDHRY SECURITIES (PVT) LTD
TREC HOLDER

Director

1 LEGAL STATUS AND NATURE OF BUSINESS

AM Chaudhry Securities (Private) Limited (the "Company") was incorporated in Pakistan on January 08, 2007 as a brokerage house, under the Companies Ordinance, 1984 . The Company's registered office is situated at Room # 310, 3rd Floor, LSE Building, 19 Khayaban-e-Aiwan-e-Iqbal, Lahore. The Company is a holder of Trading Rights Entitlement Certificate ("TREC") of Pakistan Stock Exchange Limited. The Company is principally engaged in the business of investment advisory, purchase and sale of securities, financial consultancy, brokerage, underwriting, portfolio management and securities research.

2 ACCOUNTING CONVENTION AND BASIS FOR PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRS" or "IFRSs") issued by the International Accounting Standards Board ("IASB") as are notified under the Companies Act, 2017, provisions of or directives issued under the Companies Act, 2017, and relevant provisions of the Securities Brokers (Licensing and Operations) Regulations 2016 (the "Regulations"). In case requirements differ, the provisions or directives of the Companies Act, 2017 and/or the Regulations shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except:
- Investments in quoted equity securities (whether classified as assets at fair value through profit or loss, or at fair value through other comprehensive income), which are carried at fair value;
- Investments in unquoted equities, measured at fair value through other comprehensive income;
- Investments in associates, which are recorded in accordance with the equity method of accounting for such investments; and
- Derivative financial instruments, which are marked-to-market as appropriate under relevant accounting and reporting standards.

2.3 New, amended standards and interpretations which became effective

New and amended standards mandatory for the first time for the financial year beginning July 1, 2019:

a) The Company has adopted IFRS 16 'Leases' from July 1, 2019. IFRS 16 'Leases' primarily affects the accounting by lessees and results in the recognition of almost all leases on statement of financial position. The standard removes distinction between operating and finance leases and requires recognition of an asset (the right of use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessors does not significantly changed. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has applied IFRS 16 using the modified retrospective approach. Under this approach, the cumulative effect of initial application to be recognized in retained earnings at July 1, 2019. Accordingly, the comparative information presented for 2019 has not been restated - i.e. it is presented as previously reported under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16 the Company recognizes right of use assets and lease liabilities for leases - i.e. these leases are on the statement of financial position. On initial application, the Company has also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). Some lease contracts of the Company are extendable through mutual agreement between the Company and the lessor or cancellable by both parties immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Company concluded that such contracts are short-term in nature. The Company recognizes the lease payments associated with these leases as an expense in statement of profit or loss.

As per management assesment, there is no impact of adoption of IFRS 16 in these financial statements.

b) Amendment to IAS 12, 'Income taxes', as part of the annual improvements 2017 applicable for annual periods beginning on or after January 1, 2019. The amendments clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.

c) Amendment to IAS 23 'Borrowing Costs', as part of the annual improvements 2017 applicable for annual periods beginning on or after January 1, 2019. The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non qualifying assets – are included in that general pool. This amendment will be applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

The other new standards, amendments to published accounting and reporting standards and interpretations that are mandatory in Pakistan for the financial year beginning on July 1, 2019 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2019 and have not been early adopted by the Company: :

a) Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors is applicable on accounting periods beginning on or after January 1, 2020. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS. Refined definition of materiality - Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

b) Amendments to IFRS 16 'Leases' is applicable on accounting periods beginning on or after June 1, 2020. Under IFRS 16, rent concessions often met the definition of a lease modification, unless they were envisaged in the original lease agreement. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19 related rent concessions that reduce lease payments due on or before June 30, 2021. This optional exemption gives timely relief to lessees and enables them to continue providing information about their leases that is useful to investors. The amendment does not affect lessors. The amendment not expected to have material impact on the Company's financial statements.

c) Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' is applicable for accounting periods beginning on or after January 1, 2022. Under IAS 37, a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations – i.e. the lower of the costs of fulfilling the contract and the costs of terminating it – outweigh the economic benefits. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. The amendment not expected to have material impact on the Company's financial statements.

d) Annual improvements 2018 applicable for annual periods beginning on or after January 1, 2022. These amendments include changes from the 2018-2020 cycle of annual improvements project that mainly affect following standards:

i) Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards, simplifies the application of IFRS 1 for a subsidiary that becomes a first time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies, then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards:

ii) Amendment to IFRS 9 'Financial Instruments', clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

iii) Amendment to IFRS 16 'Leases' Illustrative Example 13, removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

iv) Amendment to IAS 41 'Agriculture', removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement

v) Amendment to IAS 16 'Property, plant and Equipment' is applicable on accounting periods beginning on or after January 1, 2022. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments apply retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments. The amendment not expected to have material impact on the Company's financial statements. .

v) Amendments to IAS 1 'Presentation of Financial Statements' is applicable on accounting periods beginning on or after January 1, 2023. Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of this amendments, the requirement for a right to be unconditional has been removed and instead, the amendments requires that a right to defer settlement must have substance and exist at the end of the reporting period

There are a number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and, therefore, have not been presented here. .

2.4 Accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are continually evaluated and are based on historical

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experience as well as expectations of future events 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.

Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements, are as follows:

(i) Estimates of useful lives and residual values of items of property, plant and equipment (Note 5);

(ii) Estimates of useful lives of intangible assets (Note 6);

(iii) Allowance for credit losses (Note 3.8);

(iv) Fair values of unquoted equity investments (Note 7);

(v) Classification, recognition, measurement / valuation of financial instruments (Note 3.2); and

(vi) Provision for taxation (Note 25)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, except as described in notes 3.1 and 4.

3.1 Changes in Significant Accounting Policies

The Company adopted IFRS 15 (*Revenue from Contracts with Customers*) and IFRS 9 (*Financial Instruments*) from July 1, 2018. The new standards are effective for annual periods beginning on or after July 1, 2018 and for reporting periods ending on or after June 30, 2019.

Details of new policies pursuant to these standards and the nature and effect of the changes in accounting policies are set out in the remainder of this note.

3.1.1 IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers*, which introduces a unified five-step model for determining the timing, measurement and recognition of revenue. The broad objective of the new standard is to introduce a framework whereby revenue is recognized as performance obligations are fulfilled rather than based on the transfer of risks and rewards. IFRS 15 includes a comprehensive set of disclosure requirements, including quantitative and qualitative information about contracts with customers, to help users understand the nature, amount and timing of revenue as well as uncertainty around it. The standard supersedes and replaces IAS 18 - *Revenue*, IAS 11 - *Construction Contracts* and a number of related interpretations.

Due to the nature of contractual arrangements with customers and the regulatory environment in which the Company operates, the adoption of IFRS 15 did not have a significant impact on the financial statements of the Company.

3.1.2 IFRS 9 - Financial Instruments

IFRS 9 - *Financial Instruments* relates to the recognition, classification, measurement and derecognition of financial assets and liabilities, hedge accounting and the impairment of financial assets. It supersedes and replaces IAS 39 - *Financial Instruments: Recognition and Measurement*.

Changes in accounting policies, if any, resulting from the adoption of IFRS 9 have been applied retrospectively. Details of significant new accounting policies adopted are set out in note 3.2. The nature and effect of changes to previous accounting policies are set out in note 4.

3.2 Financial assets and liabilities

Recognition and initial measurement

The Company, on the date of initial recognition, recognizes loans, debt securities, equity securities and deposits at the fair value of consideration paid. Regular-way purchases and sales of financial assets are recognized on the trade date. All other financial assets and liabilities, including derivatives, are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The initial measurement of a financial asset or liability is at fair value plus transaction costs that are directly attributable to its purchase or issuance. For instruments measured at fair value through profit or loss, transaction costs are recognized immediately in profit or loss.

Classification and Measurement of Financial Assets

IFRS 9 eliminates the IAS 39 categories for financial assets (held-to-maturity, loans and receivables, held-for-trading and available-for-sale). Instead, IFRS 9 classifies financial assets into the following categories:

- Fair value through profit or loss ("FVTPL");
- Fair value through other comprehensive income ("FVOCI");
- Amortized cost;
- Elected at fair value through other comprehensive income (equities only); or
- Designated at FVTPL

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Financial assets include both debt and equity instruments.

Debt Instruments

Debt instruments are classified into one of the following measurement categories:
- Amortized cost;
- FVOCI;
- FVTPL; or
- Designated at FVTPL

Classification of debt instruments is determined based on:
(i) The business model under which the asset is held; and
(ii) The contractual cash flow characteristics of the instrument

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost. Interest income on these instruments is recognized in interest income using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses / provision for doubtful debts in the statement of financial position.

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income. Upon derecognition, realized gains and losses are reclassified from other comprehensive income and recorded in the statement of income. Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to the income statement using the effective interest rate method. Impairment on debt instruments measured at FVOI is calculated using the expected credit loss approach.

Debt instruments are measured at FVTPL if assets are held for trading purposes, are held as part of a portfolio managed on a fair value basis, or whose cash flows do not represent payments that are solely payments of principal and interest. Transaction costs for such instruments are recognized immediately in profit or loss.

Finally, debt instruments in the "designated at FVTPL" category are those that have irrevocably designated by the Company upon initial recognition. This designation is available only for those debt instruments for which a reliable estimate of fair value can be obtained. Instruments are designated at FVTPL typically if doing so eliminates or reduces accounting mismatch which would otherwise arise.

Equity Instruments

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon initial recognition, with transaction costs recognized immediately in profit or loss. Subsequent to initial recognition, changes in fair value are recognized through profit or loss.

An initial recognition, there is an irrevocable option for the Company to classify non-trading equity instruments at FVOCI. This election is typically used for equity instruments for strategic or longer-term investment purposes. The election is made on an instrument-by-instrument basis and is not available to equity instruments that are held for trading purposes. Gains and losses on these instruments are recorded in OCI and are not subsequently reclassified to profit or loss. As such, there is no specific impairment requirement. Dividends received are recorded in profit or loss. Any transaction costs incurred upon purchase are added to the cost basis of the security and are not reclassified to profit or loss upon the sale of the security.

Classification and Measurement of Financial Liabilities

Financial liabilities are classified into one of the following measurement categories:
- FVTPL;
- Amortized cost; or
- Designated at FVTPL.

Financial liabilities measured at FVTPL are held principally for the purpose of repurchasing in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Financial liabilities are recognized on a trade date basis and are accounted for at fair value, with changes in fair value and any gains or losses recognized in profit or loss. Transaction costs are expensed as incurred.

Financial liabilities may also be designated at FVTPL if a reliable estimate of fair value can be obtained and when (a) the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise, (b) a group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, or (c) the financial liability contains one or more embedded derivatives which significantly modify the cash flows required. Any changes in fair value are recognized in profit or loss, except for changes in fair value arising from changes in the Company's own credit risk, which are recognized in OCI. Changes in fair value due to changes in the Company's own credit risk are not subsequently reclassified to profit or loss upon derecognition or extinguishment of liabilities.

Other financial liabilities are accounted for at amortized cost. Interest expense is calculated using the effective interest rate method.

Determination of Fair Value

The fair value of a financial asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or, in its absence, the most advantageous market to which the Company has access at the measurement date. The Company values instruments carried at fair value using quoted market prices, where available. Unadjusted quoted market prices for identical instruments represent a Level 1 valuation. When quoted prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

In determining fair value for certain instruments or portfolios of instruments, valuation adjustments or reserves may be required to arrive at a more accurate representation of fair value. These adjustments may include unobservable parameters or constraints on prices in inactive or illiquid markets.

Derecognition of Financial Assets and Financial Liabilities

A financial asset is derecognized when the contractual rights to the cash flows from asset have expired, or the Company transfers the contractual rights to receive the cash flows from the financial asset, or has assumed an obligation to pay those cash flows to an independent third party, or the Company has transferred substantially all the risks and rewards of ownership of that asset to an independent third-party. Management determines whether substantially all the risks and rewards of ownership have been transferred by quantitatively comparing the variability in cash flows before and after the transfer. If he variability in cash flows remains significantly similar subsequent to the transfer, the Company has retained substantially all of the risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) the cumulative gain or loss that had been recognized in OCI, is recognized in profit or loss.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. If an existing financial liability is replaced by another from the same counterparty on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability at fair value. The difference in the respective carrying amount of the existing liability and the new liability is recognized as a gain/loss in profit or loss.

3.3 Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation (if any) and impairment losses (if any). Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Where such subsequent costs are incurred to replace parts and are capitalized, the carrying amount of replaced parts is derecognized. All other repair and maintenance expenditures are charged to profit or loss during the year in which they are incurred.

Depreciation on all items of property and equipment is calculated using the reducing balance method, in accordance with the rates specified in note 5 to these financial statements and after taking into account residual value, if material. Residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation is charged on an asset from when the asset is available for use until the asset is disposed of.

An item of property and equipment is derecognized upon disposal or when no future benefits are expected from its use or disposal. Any gain or loss arising on asset derecognition (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year in which the asset is derecognized.

3.4 Intangible assets

Intangible assets with indefinite useful lives, including Trading Right Entitlement Certificate ("TREC"), are stated at cost less accumulated impairment losses, if any. An intangible asset is considered as having an indefinite useful life when, based on an analysis of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company. An intangible asset with an indefinite useful life is not amortized. However, it is tested for impairment at each balance sheet date or whenever there is an indication that the asset may be impaired. Gains or losses on disposal of intangible assets, if any, are recognized in the profit and loss account during the year in which the assets are disposed of.

3.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or for both (but not for sale in the ordinary course of business), used in the supply of services or for administrative purposes is classified as investment property. Investment property is initially measured at its cost, including related transaction costs and borrowing costs, if any.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

For the purpose of subsequent measurement, the Company determines with sufficient regularity the fair value of the items of investment property based on available active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Valuations wherever needed are performed as of the reporting date by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property. Changes in fair values are recognized in the profit and loss account.

3.6 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset (and the net amount is reported in the financial statements) when the Company has a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis or to realize the assets and settle the liabilities simultaneously. When financial assets and financial liabilities are offset in the statement of financial position, the related income and expense items are also offset in the statement of income, unless specifically prohibited by an applicable accounting standard.

3.7 Investment in associates

Associates are all entities over which the Company has significant influence but not control. Investments in associates where the Company has significant influence are accounted for using the equity method of accounting. Under the equity method of accounting, investments in associates are initially recognized at cost and the carrying amount of investment is increased or decreased to recognize the Company's share of the associate's post-acquisition profits or losses in income, and its share of the post-acquisition movement in reserves is recognized in other comprehensive income.

3.8 Impairment

Financial assets

The Company applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for financial assets measured at amortized cost. The Company's expected credit loss impairment model reflects the present value of all cash shortfalls related to default events, either over the following twelve months, or over the expected life of a financial instrument, depending on credit deterioration from inception. The allowance / provision for credit losses reflects an unbiased, probability-weighted outcomes which considers multiple scenarios based on reasonable and supportable forecasts.

Where there has not been a significant decrease in credit risk since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to the remaining term to maturity is used.

When a financial instrument experiences a significant increase in credit risk subsequent to origination but is not considered to be in default, or when a financial instrument is considered to be in default, expected credit loss is computed based on lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue effort or cost. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessments, including forward-looking information.

Forward-looking information includes reasonable and supportable forecasts of future events and economic conditions. These include macro-economic information, which may be reflected through qualitative adjustments or overlays. The estimation and application of forward-looking information may require significant judgment.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. The Company makes this assessment on an individual asset basis, after consideration of multiple historical and forward-looking factors. Financial assets that are written off may still be subject to enforcement activities in order to comply with the Company's processes and procedures for recovery of amounts due.

Non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount - defined as the higher of the asset's fair value less costs of disposal and the asset's value-in-use (present value of estimated future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and asset-specific risk) - is estimated to determine the extent of the impairment loss.

For the purpose of assessing impairment, assets are grouped into cash-generating units: the lowest levels for which there are separately identifiable cash flows.

3.10 Taxation

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using rates enacted or substantively enacted at the reporting date, and takes into account tax credits, exemptions and rebates available, if any. The charge for current tax also includes adjustments, where necessary, relating to prior years which arise from assessments framed / finalized during the year.

Deferred

Deferred tax is recognized using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. Deferred tax is calculated using rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. In this regard the effects on deferred taxation on the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirements of Accounting Technical Release-27 of the Institute of Chartered Accountants of Pakistan.

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

Deferred tax is charged or credited to 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.

3.11 Cash and cash equivalents

Cash and cash equivalents are carried at cost and include cash in hand, balances with banks in current and deposit accounts, stamps in hand, other short-term highly liquid investments with original maturities of less than three months and short-term running finances.

3.12 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method. They are classified as current if payment is due within twelve months of the reporting date, and as non-current otherwise.

3.13 Provisions

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

3.14 Borrowings

These are recorded at the proceeds received. Finance costs are accounted for on accrual basis and are disclosed as accrued interest / mark-up to the extent of the amount unpaid at the reporting date.

3.15 Borrowing costs

Borrowing costs are recognized 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 capitalized as part of the cost of the relevant asset.

3.16 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the Company are not treated as assets of the Company.

3.17 Revenue recognition

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

- Brokerage and commission income is recognized when brokerage services are rendered.
- Dividend income is recognized when the right to receive the dividend is established.
- Return on deposits is recognized using the effective interest method.
- Income on fixed term investments is recognized using the effective interest method.
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Unrealized capital gains / (losses) arising from marking to market financial assets are included in profit and loss

  (for assets measured at FVTPL) or OCI (for assets measured at FVOCI) during the period in which they arise.
- Income / profit on exposure deposits is recognized using the effective interest rate.

3.18 Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated into functional currency at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into functional currency at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in income.

3.19 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupee, which is the Company's functional and presentation currency.

3.20 Derivative financial

Derivative financial instruments are recognized at their fair value on the date on which a derivative contract is entered into. Subsequently, any changes in fair values arising on marking to market of these instruments are taken to the profit and

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loss account.

3.21 Related party transactions

All transactions involving related parties arising in the normal course of business are conducted and recorded at rates that are not less than market.

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5 PROPERTY AND EQUIPMENT

----------2020----------

	Cost				Accumulated Depreciation				Net book value	Rate of dep
	As at 1 July 2019	Additions	Disposals	As at 30 June 2020	As at 1 July 2019	For the Year	Adjustments	As at 30 June 2020	as at 30 June 2020	
Owned					Rupees					%age
Furniture and fixtures	145,500	-	-	145,500	69,767	7,573	-	77,340	68,160	10%
Office equipment	200,000	-	-	200,000	143,122	18,770	-	161,892	38,108	33%
Electrical installations	136,348	-	-	136,348	65,097	7,125	-	72,222	64,126	10%
	481,848	-	-	**481,848**	**277,985**	**33,468**	-	**311,453**	**170,395**	

----------2019----------

	Cost				Accumulated Depreciation				Net book value	Rate of dep
	As at 1 July 2018	Additions	Disposals	As at 30 June 2019	As at 1 July 2018	For the Year	Adjustments	As at 30 June 2019	as at 30 June 2019	
Owned					Rupees					%age
Furniture and fixtures	145,500	-	-	145,500	61,352	8,415	-	69,767	75,733	10%
Office equipment	150,000	50,000	-	200,000	125,368	17,754	-	143,122	56,878	33%
Electrical installations	136,348	-	-	136,348	57,180	7,917	-	65,097	71,251	10%
	431,848	**50,000**	-	**481,848**	**243,899**	**34,086**	-	**277,985**	**203,863**	

6 INTANGIBLE ASSETS

	Note	2020 Rupees	2019 Rupees
Trading Rights Entitlement Certificate ("TREC")	6.1	2,500,000	2,500,000
		2,500,000	2,500,000

6.1 Pursuant to the Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012, stock exchanges operating as guarantee limited companies were converted to public limited companies. Ownership rights in exchanges were segregated from the right to trade on an exchange. As a result of such demutualization and corporatization, the Company received shares of the relevant exchange and a Trading Rights Entitlement Certificate ("TREC") against its membership card.

The TREC has been recorded as an indefinite-life intangible asset pursuant to the provisions and requirements of IAS 38. As the TREC is not a commonly tradable instrument, the value approved by the Board of Directors of the Pakistan Stock Exchange Limited ("PSX") post-mutualization was used as the initial value of the intangible. The TREC, which has been pledged with the PSX to meet Base Minimum Capital ("BMC") requirements, is assessed for impairment in accordance with relevant approved accounting standards.

7 LONG-TERM INVESTMENTS

	Note	2020 Rupees	2019 Rupees
Investments at fair value through OCI			
LSE Financial Services Limited (unquoted) - opening	*7.1*	19,158,233	15,259,068
Adjustment for remeasurement to fair value		447,307	3,899,165
		19,605,540	**19,158,233**

7.1 As a result of the demutualization and corporatization of stock exchanges as detailed in note 6.1, the Company received 843,975 shares of LSE Financial Services Limited. Of these, 60% (506,385 shares) were held in a separate Central Depository Company Limited ("CDC") sub-account, blocked until they are sold to strategic investors, financial institutions and/or the general public. The remaining shares (40% of total, or 337,590 shares) were allotted to the Company.

These shares are neither listed on any exchange nor are they actively traded. As a result, fair value has been estimated by reference to the latest break-up or net asset value per share of these shares notified by LSE Financial Services Limited (PKR 23.23 / per share, compared to PKR 22.7 / per share as at June 30, 2019). Remeasurement to fair value resulted in a gain of PKR 447,307 (2019: PKR 3,899,165).

8 LONG-TERM DEPOSITS

	Note	2020 Rupees	2019 Rupees
National Clearing Company of Pakistan Limited		200,000	200,000
LSE Financial Services Limited		200,000	200,000
		400,000	**400,000**

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9 TRADE DEBTS

	Note	2020 Rupees	2019 Rupees
Considered good	9.1	302,070	117,347
Considered doubtful		42,228	59,590
		344,298	**176,937**
Less: Provision for doubtful debts	9.2	(42,228)	(59,590)
		302,070	117,347

9.1 The Company holds client-owned securities with a total fair value of PKR 17,983,019 (2019: PKR 7,294,857) as collateral against trade debts. Refer to note 3.8 for details around the Company's methodology for computing estimated credit losses under the expected loss model under IFRS 9.
Trade debts do not include any receivables from related parties.

	Note	2020 Rupees	2019 Rupees
9.2 Movement in provision against trade debts is as under:			
Opening balance (as at July 1)		59,590	272,082
Charged to profit and loss during the year		(17,362)	(212,492)
		42,228	**59,590**
Amounts written off during the year		-	-
Closing balance (as at June 30)		**42,228**	**59,590**

10 INCOME TAX REFUNDABLE

		2020 Rupees	2019 Rupees
Opening balance (as at July 1)		165,946	99,826
Add: Current year additions		46,894	89,237
		212,840	189,063
Less: Adjustment against provision for taxation		(156,707)	(23,117)
Balance at the end of the year		**56,133**	**165,946**

11 CASH AND BANK BALANCES

		2020 Rupees	2019 Rupees
Cash in hand		264	2,550
Cash at bank			
Current Account	11.1	7,498,269	6,310,666
		7,498,533	**6,313,216**

11.1 Cash at bank includes customers' assets in the amount of PKR 1,991,241 (2019: PKR 843,081) held in designated bank accounts.

12 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	Note	2020 Rupees	2019 Rupees
12.1 Authorized capital			
700,000 (2019: 700,000) ordinary shares of PKR 100 each.		**70,000,000**	70,000,000
12.2 Issued, subscribed and paid-up share capital			
100,000 (2019: 100,000) ordinary shares of PKR 100/- each, issued for cash		10,000,000	10,000,000
		10,000,000	10,000,000

12.3 Shareholders holding 5% or more of total shareholding

	Number of Shares		Percentage	
	2020	2019	**2020**	2019
Mr. ARIF MAJID CHAUDHRY	51,000	51,000	*51%*	*51%*
Mrs. NAZIA ARIF	24,500	24,500	*25%*	*25%*
MR. UMER ARIF	12,500	12,500	*13%*	*13%*
Mrs. HIRA UMER	12,000	12,000	*12%*	*12%*

13 TRADE AND OTHER PAYABLES

	Note	2020 Rupees	2019 Rupees
Trade creditors	13.1	1,997,257	673,425
Accrued and other payables		182,360	132,677
Auditor's remuneration payable		325,000	250,000
		2,504,617	**1,056,102**

13.1 This does not include any amounts due to related parties.

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14 LOAN FROM DIRECTOR

	Note	2020 Rupees	2019 Rupees
From:			
Directors - unsecured	*14.1*	10,082,568	9,382,568
		10,082,568	**9,382,568**

14.1 This represents an interest-free, subordinated loan extended to the Company by its Directors to meet working capital needs and regulatory capital requirements. The documented terms of the loan indicate that the loan is not repayable until after June 30, 2021. Repayment terms of the loan are such that discounted present value approximates proceeds received; accordingly, the loan has been recorded at proceeds received.

15 PROVISION FOR TAXATION

	Note	2020 Rupees	2019 Rupees
Balance at the beginning of the year		78,454	62,344
Add: Current year provision		101,277	39,227
		179,731	101,571
Less: Adjustment against advance tax		(156,707)	(23,117)
Balance at the end of the year		**23,024**	**78,454**

16 CONTINGENCIES AND COMMITMENTS

16.1 There are no contingencies or commitments of the Company as at June 30, 2020 (2019: Nil).

17 OPERATING REVENUE

	Note	2020 Rupees	2019 Rupees
Brokerage income		344,346	42,185
Dividend income		675,180	421,988
		1,019,526	464,173

18 OPERATING & ADMINISTRATIVE EXPENSES

	Note	2020	2019
Staff salaries, allowances and other benefits		900,000	905,000
NCC Charges		99,681	34,404
C.D.C charges		46,395	99,331
Printing and stationery		2,200	3,470
Postage and Telephone		79,570	72,711
Utilities		276,125	-
LSE Charges		-	307,042
Fee and Subscription		13,105	25,025
PSX Clearnig Charges		-	81,233
Entertainment		6,700	6,970
Auditors' remuneration	*18.1*	325,000	250,000
Repair and maintenance		48,372	26,590
Miscellaneous expenses		10,621	4,450
Depreciation & Amortization	*5*	33,468	84,086
		1,841,237	**1,900,312**

18.1. Auditor's remuneration

	2020	2019
Statutory audit	325,000	250,000
	325,000	250,000

19 FINANCIAL CHARGES

	2020	2019
Bank and other charges	1,380	63,477
	1,380	**63,477**

20 OTHER INCOME / LOSSES

Income from non-financial assets/liabilities

	2020	2019
Reversal of provison for doubtful debts	17,362	212,492
Miscellaneous income and recoveries	40,681	132,131
	58,043	344,623

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21 TAXATION

	Note	2020 Rupees	2019 Rupees
Current tax expense / (income)			
for the year		101,277	39,227
prior years		-	-
		101,277	39,227

The tax provision made in the financial statements is considered sufficient.

22. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit after tax for the year by the weighted average number of shares outstanding during the period, as follows:

	2020 Rupees	2019 Rupees
Profit / (loss) after taxation, attributable to ordinary shareholders	(866,326)	(1,194,220)
Weighted average number of ordinary shares in issue during the year	100,000	100,000
Earnings per share	**(8.66)**	**(11.94)**

No figure for diluted earnings per share has been presented as the Company has not issued any dilutive instruments carrying options which would have an impact on earnings per share when exercised.

23. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including benefits, to the chief executive, directors and executives of the Company as per the terms of their employment are as follows:

	2020		2019	
	Remuneration	# of persons	Remuneration	# of persons
Chief Executive Officer	-	1	-	1
Directors	-	3	-	3

24 FINANCIAL INSTRUMENTS BY CATEGORY

	2020			
	Amortized cost	FVOCI	FVTPL	Total
	Rupees			
ASSETS				
Non-current assets				
Long term deposits	400,000	-	-	**400,000**
Long term investment	-	19,605,540	-	**19,605,540**
Current assets				
Trade debts - net	302,070	-	-	**302,070**
Cash and bank balances	7,498,533	-	-	**7,498,533**
LIABILITIES				
Current liabilities				
Trade and other payables	2,504,617	-	-	**2,504,617**

	2019			
	Amortized cost	FVOCI	FVTPL	Total
	Rupees			
ASSETS				
Non-current assets				
Long term deposits	400,000	-	-	**400,000**
Long term investment	-	19,158,233	-	**19,158,233**
Current assets				
Trade debts - net	117,347	-	-	**117,347**
Cash and bank balances	6,313,216	-	-	**6,313,216**
LIABILITIES				
Current liabilities				
Trade and other payables	1,056,102	-	-	**1,056,102**

25 FINANCIAL INSTRUMENTS

25.1 Risk management framework

The Director / Chief Executive has overall responsibility for the establishment and oversight of the Company's risk management framework. He is also responsible for developing and monitoring the Company's risk management policies, which are monitored and assessed for effectiveness throughout the year. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to establish internal control over risk. Through its training and management standards and procedures, the Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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The Company's activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Company has established adequate procedures to manage each of these risks as explained below.

25.2 Market risk

Market risk is the risk that the value of financial instruments may fluctuate as a result of changes in market interest rates, changes in the credit rating of the issuer of the instruments, change in market sentiments, speculative activities, supply and demand of securities and/or changes in liquidity in the market.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

25.2.1 Currency risk

Currency risk mainly arises where receivables and payables exist due to transactions with foreign undertakings. The Company is not exposed to major foreign exchange risk in this respect.

25.2.2 Interest rate risk

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in market interest rates. Sensitivity to interest / mark-up rate risk arises from mismatches or gaps in the amounts of interest / mark-up based assets and liabilities that mature or reprice in a given period. The Company manages this risk by matching the maturity / repricing of financial assets and liabilities through appropriate policies.

25.2.3 Price risk

Price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices, whether such changes are due to factors specific to individual financial instruments (including factors specific to issuers of such instruments) or due to macroeconomic or other factor affecting similar financial instruments being traded in the market.

The Company is exposed to price risk in respect of investments carried at fair value (whether as available-for-sale investments or as instruments at fair value through profit or loss). Such price risk comprises both the risk that price of individual equity investments will fluctuate and the risk that there will be an index-wide movement in prices. Measures taken by the Company to monitor, manage and mitigate price risk include daily monitoring of movements in stock indexes (such as the KSE 100 index) as well as of the correlation between the Company's investment portfolio with stock indexes.

25.3 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. Concentration of credit risk arises when a number of counterparties 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 economic, political, or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, loans and advances, investments and other receivables. The carrying amount of financial assets represents the maximum credit exposure, although this maximum is a theoretical formulation as the Company frequency holds collateral against potential credit losses.

Measures taken by management to manage and mitigate credit risk include:

- Development of and compliance with risk management, investment and operational policies / guidelines (including guidelines in respect of entering into financial contracts);
- Assignment of trading limits to clients in accordance with their net worth;
- Collection / maintenance of sufficient and proper margins from clients;
- Initial and ongoing client due diligence procedures, where clients' financial position, past experience and other factors are considered;
- Collection and maintenance of collateral if, as and when deemed necessary and appropriate;
- Diversification of client and investments portfolios; and
- Engagement with creditworthy / high credit rating parties such as banks, clearing houses and stock exchanges.

The Company continually monitors the quality of its debtor portfolio, both on an individual and portfolio basis, and provides against credit losses after considering the age of receivables, nature / quantum of collateral and debtor-specific factors (such as creditworthiness and repayment capacity).

The carrying amount of financial assets, which represents the maximum credit exposure before consideration of collateral and counterparty creditworthiness, is as specified below:

	2020	2019
Long term investments	19,605,540	19,158,233
Long term deposits	400,000	400,000
Trade debts - net	302,070	117,347
	20,307,610	19,675,580

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25.4 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations, settled by delivering cash or another financial asset, as they fall due. Prudent liquidity risk management requires the maintenance of sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to the dynamic nature of the business and the industry it operates in. The Company finances its operations through equity and, as and when necessary, borrowings, with a view to maintaining an appropriate mix between various sources of financing.

The table below classifies the Company's financial liabilities into relevant maturity groupings based on the time to contractual maturity date, as at the balance sheet date. The amounts in the table are contractual undiscounted cash flows.

	As at June 30, 2020		
Financial liabilities	**Carrying amount**	**Within one year**	**More than one year**
Loan from Directors	10,082,568	-	10,082,568
Trade and other payables	2,504,617	2,504,617	-
Total	**12,587,185**	**2,504,617**	-

	As at June 30, 2019		
Financial liabilities	**Carrying amount**	**Within one year**	**More than one year**
Loan from Directors	9,382,568	-	9,382,568
Trade and other payables	1,056,102	1,056,102	-
Total	**1,056,102**	**1,056,102**	-

The Company does not expect that the timing or quantum of cash flows outlined in the table above will change significantly, and as a result expects to be able to fulfill its obligations as they come due.

26 CAPITAL RISK MANAGEMENT

The Company's objective in managing capital is to ensure that the Company is able to continue as a going concern so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. As well, the Company has to comply with capital requirements as specified under the Securities Brokers (Licensing and Operations) Regulations, 2016 (as well as other relevant directives from regulating bodies issued from time to time).

Consistent with industry practice, the Company manages its capital risk by monitoring its debt levels and liquid assets, keeping in view future investment requirements.

27 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount that would be received on the sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operations or to undertake a transaction on adverse terms.

Various judgments and estimates are made in determining the fair value of financial instruments that are recognized and measured at fair value in the Company's financial statements. To provide an indication about the reliability of inputs used in determining fair value, financial instruments have been classified into three levels, as prescribed under accounting standads. An explanation of each level follows the table.

Recurring FV Measurement - June 30, 2020	**Level I**	**Level II**	**Level III**	**Total**
Long-term investment - at FVOCI	-	19,605,540	-	**19,605,540**

Recurring FV Measurement - June 30, 2019	**Level I**	**Level II**	**Level III**	**Total**
Long-term investment - at FVOCI	-	19,158,233	-	**19,158,233**

In the fair value hierarchy in the preceding table, inputs and valuation techniques are as follows:
- Level 1: Quoted market price (unadjusted) in an active market
- Level 2: Valuation techniques based on observable inputs
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

There were no transfers into or out of Level 1 measurements.

28 RELATED PARTY TRANSACTIONS

The related parties of the Company comprise of shareholders/ directors, key management personnel, entities with common shareholding, entities over which the directors are able to exercise influence and entities under common directorship. Transactions with related parties and the balances outstanding at year end are disclosed in the respective notes to the financial statements.

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29 EVENTS AFTER REPORTING PERIOD

No events occurred after the reporting period that would require adjustment or disclosure in the financial statements.

30 NUMBER OF EMPLOYEES

Total number of employees at the end of year was 2 (2019: 3). Average number of employees was 2 (2019: 2)

31 RE-CLASSIFICATION AND RE-ARRANGEMENTS

Corresponding figures have been reclassified and re-arranged wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison, and in order to improve compliance with disclosure requirements.

32 CAPITAL ADEQUACY		**2020 Rupees**	**2019 Rupees**
Total Assets	***32.1***	30,532,671	28,858,605
Less: Total Liabilities		12,610,209	10,517,124
Less: Revaluation Reserves (created upon revaluation of fixed assets)		-	-
Capital Adequacy Level		**17,922,462**	**18,341,481**

32.1 While determining the value of the total assets of the TREC holder, the notional value of the TRE Certificate held by AM Chaudhry Securities (Private) Limited as at June 30, 2020 as determined by Pakistan Stock Exchange has been considered.

33 GENERAL

Amounts have been rounded off to the nearest rupee, unless otherwise stated.

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34 AUTHORIZATION

34.1 These financial statements were authorized for issue on 29-10-2020 by the Board of Directors of the Company.

Chief Executive

A.M. CHAUDHRY SECURITIES (PVT) LTD. * TREC HOLDER *

Director