



KPMG Taseer Hadi & Co.

## **Next Capital Limited**

### **Condensed Interim Financial Statements**

**For the period ended 31 December 2019**

## DIRECTORS' REPORT

### Economic Review:

The economic performance of Pakistan during the first half of the ongoing fiscal year has displayed marked improvements in external account where the IMF successfully completed its first review under the ongoing program and disbursed the second tranche of USD450mn in December 2019 in which Pakistan met all of its performance criteria. During the period under review, Pakistan's Current Account Deficit stood at USD2.1 billion (-1.5% of GDP) compared to USD8.6 billion (-5.8% of GDP) during the same period last year, an improvement of 75% over the previous year. Pakistan's FX reserves have gone up to USD17.9 billion comprising of USD11.3 billion held with SBP and USD6.6 billion with banks taking the SBP import cover to 2.9 months, compared to total reserves of USD14.5 billion as on June 30, 2019. This significant improvement in the overall balance of payments was made possible due to 21% decrease in imports, 4% increase in exports, 3% increase in remittances by overseas Pakistanis, investments of over USD1.4 billion in domestic Treasury Bills by international investors, and loans from bilateral and multilateral agencies including USD1.3 billion by the Asia Development Bank.

On the fiscal side, despite falling short of the IMF's tax collection target, FBR still managed to report a growth of 17% in tax collection during the period under review falling short of the reduced target by only PKR105 billion. IMF had revised the tax collection target for the ongoing fiscal year from PKR5.5 trillion to PKR5.2 trillion during the first quarterly performance review. The combined Federal and Provincial fiscal deficit stood at PKR995 billion (2.3% of GDP) compared to PKR1,030 billion (2.7% of GDP) during the same period last year. Key highlights other than the healthy growth in tax revenues, non-tax revenues surged three-folds primarily owing to higher profits of SBP and PTA. On the expenditure, PSDP disbursements also increased by 39% while debt servicing jumped by 46%. The country posted a primary surplus of PKR286 billion (0.7% of GDP) against a primary surplus target of 0.6% of GDP for the ongoing fiscal year.

Growth remained the key cause of concern during the period where the Large Scale Manufacturing has declined by 3.4% during the period under review along with significant deterioration in the agriculture output. On the other hand as a result of effects of PKR devaluation and supply disruptions in various perishable and non-perishable food items, inflation has raised its head surpassing expectations. Average National CPI inflation during the period under review stands at 11.1% compared to 6% during the same period last year. Subsequent to the period under review, inflation has reached a 9-year high level of 14.6% in January 2020 resulting in negative real interest rates, leaving no room for the Monetary Policy Committee of the SBP to lower interest rates.

Subsequent to the period under review, the FATF plenary in February 2020 while praising and appreciating Pakistan's performance in eliminating non-compliances since October 2019, has allowed till June 2020 to complete the remaining action points in order to be removed from its Grey List. Furthermore, the second review of the IMF staff has also concluded that failed to reach a consensus on lowering further the tax collection target, and increasing tariffs for gas and electricity. Going forward, the Board is of the view that the country is faced with challenges across various fronts that include increasing tax revenues with the current slowdown in economy that may keep inflationary outlook on an uptick resulting in a prolonged status quo in the monetary policy. Additionally, the outbreak of the coronavirus raised more red flags on the overall global growth in general and Pakistan in particular where an extended crises can have far-reaching consequences.

### Capital Market Review

The market witnessed a volatile 1HFY20 where the KSE100 index touched a low of 28,764 points as a result of budgetary measures and negative investors' sentiments. However, with initial signs of economic stability, improving external account and attractive equity market valuations, a bull run was witnessed in the market driving the benchmark index towards a high of 41,768 points and closing the period under review at 40,735 level gaining 6,834 points. The fiscal year for the market took a slow start with dull volumes; however, a significant increase in volumes was seen towards the latter part of 1HFY20. Positivity during the latter part of the period under review was fuelled by improved external account, and significant decline in secondary market bond yields, which raised expectation of a rate cut earlier than previously expected. Average daily turnover during the period under review was 185 million shares and the average daily value traded stood at USD42 million. Foreigners, during the period under review bought stocks worth USD8 million whereas Banks emerged as the major sellers during the period under review.

The bull run of Pakistan equities came to a halt as hopes of an early rate cut faded away with inflation reading for January 2020 clocking in at 14.6% that forced investors to rethink their investment decisions. Going forward revenue collection remains a key challenge along with curtailing inflation that holds the key for monetary easing. The Board sees long term growth potential in the domestic bourse as the economy heads on a path of long term growth from the stabilization phase, despite challenges in the short-term. The Board however, does not underestimate these challenges and potential risks faced by the country across various fronts believes that concrete policy framework needs to be developed and enacted for tackling these challenges appropriately.



## DIRECTORS' REPORT

### Performance Overview:

The following table depicts the Company's performance in the current period:

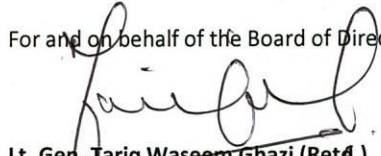
	2019	2018
	RUPEES	
Accumulated Gain / (Loss) as at July 01	(9,131,865)	(5,284,285)
Profit / (Loss) after tax for the period	23,266,829	5,620,679
Accumulated Gain / (Loss) as at December 31	14,134,963	336,394
Earnings Per Share Rupees	0.52	0.12

Your Company managed to earn pre-tax profit of PKR34.3 million during the period under review compared to PKR9.1 million during the same period last year. The growth is attributable to 18.3% growth in operating revenues, almost double other income compared to the same period last year, and absence of some one-off charges. Within operating revenues, rise in equity prices and volumes in addition to implementation of the minimum brokerage by the regulator resulted in 13% rise in equity brokerage income during the period under review compared to same period last year. Advisory and consultancy income increased by 52% over the same period last year due to improved deals flow and conclusion of some transactions. A 7.5% rise in operating and administrative expenses is mainly attributable to revenue related variable expenses. Adoption of IFRS-16 caused major changes in financial presentation, where net effect of PKR2.2 million reduction in profit is caused due to realization of depreciation on right-of-use of assets, interest expense realization on leased obligation, and removal of office rentals.

Looking ahead, the company aims to continue to strive for long term sustainable growth and improve shareholder value by focusing to become the preferred financial services provider in the country. We remain enthusiastic on Pakistan's long term outlook and seek to align our growth strategy with that accordingly.

For and on behalf of the Board of Directors

February 27, 2020

  
Lt. Gen. Tariq Waseem Ghazi (Retd.)  
Chairman



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Chartered Accountants  
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## **Independent Auditors' Review Report**

**To the members of Next Capital Limited**

### **Report on review of Condensed Interim Financial Statements**

#### **Introduction**

We have reviewed the accompanying condensed statement of financial position of **Next Capital Limited** ("the Company") as at 31 December 2019 and the related condensed statement of profit or loss, condensed statement of comprehensive income, condensed statement of cash flows, and condensed statement of changes in equity, and notes to the condensed interim financial information for the six-months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

#### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.





KPMG Taseer Hadi & Co.

**Other matter**

The figures for the quarter ended 31 December 2019 and 31 December 2018 in the interim financial statements have not been reviewed and we do not express a conclusion on them.

The engagement partner on the engagement resulting in this independent auditors' review report is Muhammad Taufiq.

**Date: 28 February 2020**

**Karachi**

KPMG Taseer Hadi & Co.  
KPMG Taseer Hadi & Co.  
Chartered Accountants

Next Capital Limited  
Condensed Interim Statement of Financial Position  
As at 31 December 2019

	Note	31 December 2019 (Un-audited) (Rupees)	30 June 2019 (Audited)
<b>ASSETS</b>			
<b>Non current assets</b>			
Property and equipment	5	96,623,957	61,848,864
Intangible assets	6	3,734,581	3,873,747
Investment in shares of Pakistan Stock Exchange Limited	7	13,493,301	14,055,522
Long term deposits	8	8,111,753	4,411,279
Deferred tax asset		8,044,965	5,970,357
		<b>130,008,557</b>	<b>90,159,769</b>
<b>Current assets</b>			
Short term investments	9	53,711,652	34,750,500
Investment in Marginal Financing System	10	27,460,840	21,864,752
Trade debts	11	88,434,234	130,746,852
Deposits and prepayments	12	102,188,042	240,384,133
Advances and other receivables	13	4,775,156	3,458,330
Income tax refundable		52,157,622	59,556,152
Cash and bank balances	14	193,722,261	245,002,260
		<b>522,449,807</b>	<b>735,762,979</b>
<b>Total assets</b>		<b>652,458,364</b>	<b>825,922,748</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital 100,000,000 (30 June 2019: 100,000,000) ordinary shares of Rs. 10 each		<b>1,000,000,000</b>	<b>1,000,000,000</b>
Issued, subscribed and paid-up capital	15	450,000,000	450,000,000
Discount on issue of shares		(50,000,000)	(50,000,000)
Unrealized gain on remeasurement of investment carried at FVTOCI		2,681,361	3,243,582
<b>Revenue Reserve</b> Unappropriated profit / (accumulated losses)		<b>14,134,964</b>	<b>(8,188,270)</b>
		<b>416,816,325</b>	<b>395,055,312</b>
<b>Non-Current liabilities</b>			
Lease Liabilities		26,365,179	-
<b>Current liabilities</b>			
Unclaimed dividend		3,055,446	5,117,003
Current portion of lease liabilities		9,688,572	-
Short term borrowing - secured	16	-	199,986,969
Trade and other payables	17	196,532,842	225,096,797
Contract Liabilities		-	666,667
		<b>209,276,860</b>	<b>430,867,436</b>
<b>Contingencies and commitments</b>	18		
<b>Total equity and liabilities</b>		<b>652,458,364</b>	<b>825,922,748</b>

The annexed notes 1 to 28 form an integral part of these condensed interim financial statements.

  
Chief Executive

  
Director

  
Chief Financial Officer




Next Capital Limited  
Condensed Interim Profit or Loss Account (Un-audited)  
For the six months and quarter ended 31 December 2019

		Six months ended 31 December		Quarter ended 31 December	
	Note	2019	2018 <i>Restated</i>	2019	2018 <i>Restated</i>
		----- (Rupees) -----			
Operating revenue	19	115,651,377	97,784,278	89,497,740	53,808,229
Loss on sale of investments		(456,594)	(163,207)	(59,623)	(179,342)
Unrealised loss on remeasurement of investments - Fair value through profit or loss		-	(3,708,000)	-	(1,560,000)
Operating expenses	20	(59,486,859)	(51,025,898)	(36,683,508)	(26,421,619)
Administrative expenses	21	(42,147,719)	(43,681,982)	(21,908,862)	(22,874,767)
Provision for Impairment on trade debts		(1,214,061)	(1,136,411)	(607,031)	(568,206)
Finance cost		(8,911,033)	(3,935,548)	(5,518,096)	(1,032,807)
		3,435,111	(5,866,768)	24,720,620	1,171,488
Other income	22	30,887,954	14,925,333	15,621,596	8,805,238
Profit before taxation		34,323,065	9,058,565	40,342,216	9,976,726
Taxation	23				
- Current		(16,743,515)	(4,027,380)	(13,428,583)	(629,651)
- Prior		3,998,084	(1,269,938)	3,998,084	(1,269,938)
- Deferred		1,689,195	723,021	942,837	155,580
		(11,056,236)	(4,574,297)	(8,487,662)	(1,744,009)
Profit after taxation		23,266,829	4,484,268	31,854,554	8,232,717
Earnings per share - basic and diluted	24	0.52	0.10	0.71	0.18

The annexed notes 1 to 28 form an integral part of these condensed interim financial statements.

  
Chief Executive

  
Director

  
Chief Financial Officer

# Next Capital Limited

## Condensed Interim Statement of Comprehensive Income (Un-audited)

For the six months and quarter ended 31 December 2019


	Six months ended 31 December		Quarter ended 31 December	
	2019	2018 <i>Restated</i>	2019	2018 <i>Restated</i>
	----- (Rupees) -----			
Profit after taxation for the period	23,266,829	4,484,268	31,854,554	8,232,717
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified to profit and loss account</i>				
Unrealized gain/(loss) on remeasurement of investment carried at FVTOCI	2,681,361	(9,906,241)	7,313,896	(5,273,706)
	2,681,361	(9,906,241)	7,313,896	(5,273,706)
<b>Total comprehensive income for the period</b>	<b>25,948,190</b>	<b>(5,421,973)</b>	<b>39,168,450</b>	<b>2,959,011</b>

The annexed notes 1 to 28 form an integral part of these condensed interim financial statements.



  
Chief Executive

  
Director

  
Chief Financial Officer



# Next Capital Limited

## Condensed Interim Statement of Changes in Equity (Un-audited)

For the six months ended 31 December 2019

	Issued, subscribed and paid-up capital	Discount on issue of shares	Unrealized gain / (loss) on remeasurement of investments (Rupees)	Revenue Reserve Unappropriated profit / (accumulated losses)	Total
Balance as at 01 July 2018, as previously reported	450,000,000	(50,000,000)	15,628,792	(5,284,285)	410,344,507
Adjustment on initial application of IFRS 9 - net of tax	-	-	-	532,682	532,682
<b>Balance as at 1 July 2018 - restated</b>	<b>450,000,000</b>	<b>(50,000,000)</b>	<b>15,628,792</b>	<b>(4,751,603)</b>	<b>410,877,189</b>
<b>Total comprehensive income for the period</b>					
Net Profit for the period - restated	-	-	-	4,484,268	4,484,268
Unrealized loss on remeasurment of investment carried at FVTOCI	-	-	(9,906,241)	-	(9,906,241)
Other Comprehensive Income	-	-	-	-	-
	-	-	(9,906,241)	4,484,268	(5,421,973)
Balance as at 31 December 2018	450,000,000	(50,000,000)	5,722,551	(267,335)	405,455,216
<b>Balance as at 01 July 2019 (As reported previously)</b>	<b>450,000,000</b>	<b>(50,000,000)</b>	<b>3,243,582</b>	<b>(8,188,270)</b>	<b>395,055,312</b>
Adjustment due to initial application of IFRS 16	-	-	-	(943,595)	(943,595)
<b>Balance as at 1 July 2019 (Adjusted)</b>	<b>450,000,000</b>	<b>(50,000,000)</b>	<b>3,243,582</b>	<b>(9,131,865)</b>	<b>394,111,717</b>
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	23,266,829	23,266,829
Unrealised loss on remeasurement of investment carried at FVTOCI	-	-	(562,221)	-	(562,221)
	-	-	(562,221)	23,266,829	22,704,608
<b>Balance as at 31 December 2019</b>	<b>450,000,000</b>	<b>(50,000,000)</b>	<b>2,681,361</b>	<b>14,134,964</b>	<b>416,816,325</b>

The annexed notes 1 to 28 form an integral part of these condensed interim financial statements.

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Chief Executive



Director



Chief Financial Officer

Next Capital Limited  
Condensed Interim Cash Flow Statement (Un-audited)  
For the six months ended 31 December 2019

		Six months ended	
Note	31 December 2019	31 December 2018 Restated	
		(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit / (loss) before taxation	34,323,065	9,058,565	
<b>Adjustments for:</b>			
Depreciation	5.1	10,163,966	3,130,392
Amortisation	6.3	189,166	205,833
Loss on sale of investments		456,594	163,207
Unrealised loss on remeasurement of investments - Fair value through profit or loss	9	-	3,708,000
Markup on bank balances	22	(10,593,803)	(5,661,379)
Markup on investment in Margin Financing System	22	(1,654,789)	(2,662,161)
Markup on investment in Margin Trading System	22	(1,169,950)	-
Markup on investment in T-Bill	22	(1,838,202)	-
Profit on exposure margin	22	(15,229,312)	(6,002,591)
Gain on sale of asset	22	-	(599,202)
Impact of IFRS 16		(1,329,008)	-
Unwinding of security deposits		(100,474)	-
Finance cost		8,911,033	3,935,548
		(12,194,778)	(3,782,353)
Cash flows before working capital changes		22,128,287	5,276,212
<b>Working capital changes</b>			
(Increase) / decrease in current assets		42,312,618	(92,701,550)
Trade debts		138,196,091	100,582,884
Deposits and prepayments		(1,316,826)	(7,725,465)
Advances and other receivables		179,191,883	155,869
Increase / (decrease) in current liabilities		(28,563,955)	15,207,233
Trade and other payables		(666,667)	1,666,667
Contract Liabilities		36,053,751	-
Other liabilities		6,823,129	16,873,900
Cash generated from operations		208,143,299	22,305,981
Finance cost paid		(8,911,033)	(4,048,430)
Taxes paid		(5,346,903)	(11,163,348)
Net cash generated from operating activities		193,885,363	7,094,203
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for purchase of property and equipment	5.1	(44,939,058)	(3,162,249)
Payment for software purchase		(50,000)	-
Payment for capital work-in-progress		-	(33,544,142)
Payment against investment in Marginal Financing System		83,619,009	(145,220,583)
Receipts against investment in Marginal Financing System		(87,376,895)	207,577,642
Short term investments made during the period		(54,168,246)	(4,000,000)
Short term investments disposed off during the period		34,750,500	270,500
Proceeds from disposal of property and equipment		-	2,550,000
Markup received on bank deposits		10,593,803	5,661,379
Markup received on exposure margins		15,229,312	6,002,591
Markup received on investment in Marginal Financing System		1,654,789	2,662,161
Markup received on investment in Margin Trading System		1,169,950	-
Payments of long term deposits		(3,600,000)	(5,700,000)
Net cash (used in) / generated from investing activities		(43,116,836)	33,097,299
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short term loans received		-	72,456,797
Short term loans repaid		-	(132,666,550)
Dividend paid - unclaimed		(2,061,557)	(47,100)
Net cash used in financing activities		(2,061,557)	(60,256,853)
Net decrease in cash and cash equivalents		148,706,970	(20,065,351)
Cash and cash equivalents at beginning of the period		245,002,260	126,983,853
Short term borrowing - secured		(199,986,969)	-
Cash and cash equivalents at end of the period		193,722,261	106,918,502
<b>CASH AND CASH EQUIVALENTS COMPRISE OF:</b>			
Cash and bank balances		193,722,261	106,918,502
Short term borrowing - secured		-	-
		193,722,261	106,918,502

The annexed notes 1 to 28 form an integral part of these condensed interim financial statements.

Chief Executive

Director

Chief Financial Officer



# Next Capital Limited

## Notes to the Condensed Interim Financial Statements (Un-audited)

For the six months period ended 31 December 2019

### 1. STATUS AND NATURE OF BUSINESS

Next Capital Limited ("the Company") was incorporated as a public limited company in Pakistan on 14 December 2009 under the Companies Act, 2017 (previously Companies Ordinance, 1984). The Company has obtained corporate membership from Pakistan Stock Exchange Limited ("the Exchange") on 2 February 2010 and was listed on the said Exchange on 27 April 2012.

The Company is a TREC holder of the Exchange and a member of Pakistan Mercantile Exchange Limited and is accredited broker by Financial Market Association of Pakistan. The Company is principally engaged in brokerage of shares, stocks, equity and debt securities, commodities, forex and other financial instruments and corporate finance services. Further, the Company is engaged in trading in equity and debt securities on its own account through ready, spot and forward counters of the stock exchange. The registered office of the Company is situated at 2nd Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi. The branch office is situated at 63-A Agora Eden City, Phase 8, Lahore.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34 'Interim Financial Reporting' issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act 2017.

Where the provisions of and directives issued under the Companies Act 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act 2017 have been followed.

2.1.2 These condensed interim financial statements does not include all the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended 30 June 2019.

2.1.3 The comparative condensed interim statement of financial position presented in these condensed interim financial statements have been extracted from the audited annual financial statements of the Company for the year ended 30 June 2019, whereas the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial statements for the period ended 31 December 2018.

2.1.4 These condensed interim financial statements are un-audited and are being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017.

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for investments that are carried at fair value and lease liabilities and right of use asset which are carried at present value of future lease payments.

#### 2.3 Functional and presentation currency

These condensed interim financial statements are presented in Pakistani Rupees, which is also the Company's functional currency. All amounts have been rounded to the nearest rupee, unless otherwise indicated.

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### **3. SIGNIFICANT ACCOUNTING POLICIES**

**3.1** The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of audited annual financial statements of the Company as at and for the year ended 30 June 2019 except for the adoption of new standard effective as of 1 July 2019 as referred to in note 3.2 to these condensed interim financial statements.

### **3.2 New standards, interpretations and amendments adopted by the Company**

The Company has initially adopted IFRS 16 'leases' from 1 July 2019. The impact of the adoption of this standard and the new accounting policy is disclosed in note 3.2.1 below:

#### **3.2.1 IFRS 16 'Leases'**

The Company has adopted IFRS 16 'Leases' from July 01, 2019. IFRS 16 has introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligations to make lease payments.

#### **A) Definition of a lease**

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 'Determining whether an Arrangement contains a Lease'. Under IFRS 16, the Company determines whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under IFRS 16 was applied only to contracts entered into or changed on or after July 1, 2019.

#### **B) As a lessee**

As a lessee, the Company previously classified leases as operating leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases, i.e. these leases are on-balance sheet. The Company has elected to apply the IFRS 16 requirements on the rented properties only. Low value assets, if there any, are and shall remain excluded from its application. The Company shall recognize the lease payments associated with any low value assets as an expense on a straight-line basis over the lease term.

##### **i) Significant accounting policies**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or the Company's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

##### **ii) Transition**

Previously, the Company classified property leases as operating leases under IAS 17. The lease typically runs for a period of 5 to 10 years. Some leases include an option to renew the lease for an additional five years after the end of the non-cancellable period. Some leases provide for additional rent payments that are

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based on changes in local price indices.

At transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the Company's incremental borrowing rate as at July 1, 2019. The Right-of-use assets were measured at the amount of leased liability, adjusted by the amount of prepaid lease payments recognised in the statement of the financial position immediately before the date of initial application.

The impact of adoption of IFRS 16 on the condensed interim statement of financial position as at 31 December 2019 is as follows.

	31 December 2019	1 July 2019
	(Rupees in '000)	
Right of use assets	36,167,949	39,411,343
Lease liabilities	36,053,751	42,961,730

### 3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

3.3.1 The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 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 Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

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- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Company's financial statements.

### 3.4 IFRS 9 "Financial instruments"

The adoption of the above standards, amendments and interpretation are not expected to have any material impact on the Company's condensed interim financial statements. However, pursuant to SECP press release dated February 15, 2019, IFRS 9 adoption was deferred till the financial year / period ended on June 30, 2019 with a retrospect impact on retained earning as on July 01, 2018. Accordingly, condensed interim financial statements for the half year ended 31 December 2018 were not prepared on the basis of IFRS 9 and therefore the comparative figures for the half year ended 31 December 2019 have been restated. Summary of change is presented below:

Class of transaction	(Un-audited)		
	Six months period ended 31 December 2018		
	Before application of IFRS-9	Impact of IFRS-9	After application of IFRS-9
	----- (Rupees in '000) -----		
Impairment loss on trade debts	-	1,136,411	1,136,411

### 4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimating the uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended 30 June 2019, except for those related to IFRS 16 as explained in note 3.2.1

The Company's financial risk management objectives and policies are consistent with those that are disclosed in the annual financial statements as at and for the year ended 30 June 2019.

### 5. PROPERTY AND EQUIPMENT

	Note	31 December 2019 (Unaudited) (Rupees)	30 June 2019 (Audited)
Operating fixed assets	5.1	<u>96,623,957</u>	<u>61,848,864</u>
		<u>96,623,957</u>	<u>61,848,864</u>

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## 5.1 Operating fixed assets

Note

**31 December**  
**2019**  
**(Unaudited)**  
**(Rupees)**

30 June  
2019  
(Audited)

Opening written down value	61,848,864	14,376,109
Additions during the period / year - at cost		
- Lease hold improvement	-	36,329,939
- Furniture and fixtures	1,100,361	16,619,364
- Vehicles - owned / leased	3,959,000	-
- Computers and related accessories	468,355	8,463,533
- Right-of-use asset	39,411,343	-
	44,939,059	61,412,836
Written down value of deletions during the period / year	-	(4,838,883)
Depreciation for the period / year	(10,163,966)	(9,101,198)
	(10,163,966)	(13,940,081)
Closing written down value	96,623,957	61,848,864

## 6. INTANGIBLE ASSETS

Pakistan Mercantile Exchange - Membership card		950,000	950,000
Trading Right Entitlement Certificate (TREC)	6.1 & 6.2	2,500,000	2,500,000
Software	6.3	284,581	423,747
		3,734,581	3,873,747

6.1 This represents TREC acquired on surrender of Stock Exchange Membership Card. For details please refer Note 7.

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

## 6.2 Movement in Trading Right Entitlement Certificate (TREC)

**31 December**  
**2019**  
**(Unaudited)**  
**(Rupees)**

30 June  
2019  
(Audited)

Opening carrying value	2,500,000	2,500,000
Impairment recognised during the period / year	-	-
Closing carrying value	2,500,000	2,500,000

## 6.3 Particulars - software

Net carrying value basis

Opening net book value	423,747	818,746
Additions during the period / year	50,000	-
Amortisation charged during the period / year	(189,166)	(394,999)
Closing net book value	284,581	423,747

Gross carrying value

Cost	5,153,660	5,103,660
Accumulated amortisation	(4,869,079)	(4,679,913)
Net book value	284,581	423,747

Amortisation rate

33%	33%
-----	-----

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## 7. INVESTMENT IN SHARES OF PAKISTAN STOCK EXCHANGE LIMITED

31 December 2019 (Un-audited) (Number of Shares)	30 June 2019 (Audited)		31 December 2019 (Un-audited) (Rupees)	30 June 2019 (Audited)
1,081,194	1,602,953	Pakistan Stock Exchange Limited	10,811,940	16,029,530
-	(521,759)		-	(5,217,590)
<u>1,081,194</u>	<u>1,081,194</u>		<u>10,811,940</u>	<u>10,811,940</u>

### Market value basis

Book value as of 31 December 2019  
Unrealized gain as of 31 December 2019  
**Market value as of 31 December 2019**

10,811,940	10,811,940
2,681,361	3,243,582
<u>13,493,301</u>	<u>14,055,522</u>

- 7.1 These shares were listed on PSX in the month of June 2017. Therefore, the same were carried at the market value. At 31 December 2019, the outstanding shares are classified as "Freeze" in the CDC report of the Company.

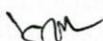
## 8. LONG TERM DEPOSITS

	Note	31 December 2019 (Un-audited) (Rupees)	30 June 2019 (Audited)
Pakistan Stock Exchange Limited	8.1	3,700,000	-
Central Depository Company of Pakistan Limited		125,000	125,000
National Clearing Company of Pakistan Limited		1,625,000	1,725,000
Pakistan Mercantile Exchange	8.2	1,250,000	1,250,000
Security deposit against office premises		1,291,753	1,191,279
Security deposit against PSO card		120,000	120,000
		<u>8,111,753</u>	<u>4,411,279</u>

- 8.1 This includes deposits placed with Pakistan Stock Exchange Limited for taking exposures in regular, future market and cash deposited against BMC requirement. During the current period, the Company deposited Rs. 3.7 (30 June 2019: Rs. NIL) million for the requirement of BMC.
- 8.2 This represents deposits placed with Pakistan Mercantile Exchange for taking exposures in commodity market.

## 9. SHORT TERM INVESTMENTS

	Note	31 December 2019 (Un-audited) (Rupees)	30 June 2019 (Audited)
<b>Investment by category</b>			
<b>At fair value through profit or loss:</b>			
Listed securities	9.1	-	30,750,500
Term Finance Certificates	9.2	4,000,000	4,000,000
<b>At amortised cost:</b>			
Market treasury bills	9.3	49,711,652	-
		<u>53,711,652</u>	<u>34,750,500</u>





## 9.1 Listed securities

31 December 2019		30 June 2019				
Carrying amount	Market value	Carrying amount	Market value			
(Un-audited)	(Un-audited)	(Audited)	(Audited)			
----- (Rupees) -----						
-	500,000	Lucky Cement	-	-	17,877,215	19,023,500
-	200,000	Maple Leaf Cement Factory Limited	-	-	5,102,512	4,778,000
-	100,000	Sui Northern Gas Pipeline Limited	-	-	6,641,029	6,949,000
-	800,000		-	-	29,620,756	30,750,500
Unrealised loss on re-measurement of investment - Fair value through profit or loss		-		1,129,744		
Market value		-		30,750,500		

## 9.2 Term Finance Certificates

Term Finance Certificates			31 December 2019		30 June 2019	
31 December 2019	30 June 2019	Name of investee	Carrying amount	Market value	Carrying amount	Market value
(Un-audited)	(Audited)		(Un-audited)		(Audited)	
(Number of certificates)			----- (Rupees) -----			
800	800	Soneri Bank Limited	4,000,000	4,000,000	4,000,000	4,000,000

9.2.1 Significant terms and conditions of the Term Finance Certificates outstanding at the period end are as follows:

Name of Security	Face Value	Unredeemed face value	Markup rate (per annum)	Maturity	Rating	
					Long term	Short term
Soneri Bank Limited - III	4,000,000	4,000,000	6 month KIBOR + 2%	Perpetual	AA-	A1+

## 9.3 Market treasury bills

Name of Security	Maturity upto	Yield	As at 01 July 2019	Purchased during the period	Sold/matured during the period	Carrying value as at 31 December 2019	Carrying value as at 30 June 2019
(Number of units)							
Treasury Bills 6 month	16-Jan-20	13.74%	-	47,873,450	-	49,711,652	-

9.3.1 Market treasury bill has been kept as with NCCPL on account of ready market exposure in accordance with the provision of the Securities Act, 2015.

9.3.2 The market value of the Market Treasury Bill is Rs. 49.72 million (30 June 2019: Nil).

## 10. INVESTMENT IN MARGINAL FINANCING SYSTEM

This amount is given as Margin Financing (MF) to our clients through National Clearing Company of Pakistan Limited. This amount is secured against securities of clients held in House accounts under pledged status. The Company is financing on Financing Participation Ratio (FPR) of maximum 75% and charging markup upto the rate of 1 month KIBOR + 8%.

## 11. TRADE DEBTS

Receivable from clients on account of:

- Purchase of shares on behalf of clients
- Brokerage commission
- Equity shares
- Money market and forex
- Consultancy fee

Provision for doubtful debts

Receivable from NCCPL

Note

31 December 2019  
(Un-audited)  
(Rupees)

30 June 2019  
(Audited)

11.2	37,727,890	123,971,107
11.2	10,819,030	8,842,141
	1,447,909	384,597
	25,369,522	10,089,836
11.1	(13,754,890)	(12,540,829)
	61,609,461	130,746,852
	26,824,773	-
	88,434,234	130,746,852

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11.1	Provision for doubtful debts	Note	31 December 2019 (Un-audited) (Rupees)	30 June 2019 (Audited)
	Opening balance		12,540,829	2,094,639
	Additional impairment on initial application of IFRS 9		-	1,781,765
			<u>12,540,829</u>	<u>3,876,404</u>
	Impairment during the period - net		1,214,061	8,664,425
	Closing balance		<u>13,754,890</u>	<u>12,540,829</u>

## 11.2 Aging analysis

The aging analysis of the trade debts relating to purchase of shares is as follows:

		Amount (Rupees)	Custody value (Rupees)
Upto five days	11.2.1	38,545,311	3,218,129,861
More than five days	11.2.1	17,311,264	43,588,007
		<u>55,856,575</u>	<u>3,261,717,868</u>

11.2.1 These custody values are shown at market value after applying haircut of straight 15%.

## 12. DEPOSITS AND PREPAYMENTS

	Note	31 December 2019 (Un-audited) (Rupees)	30 June 2019 (Audited)
Deposit of exposure margin	12.1	84,243,167	223,264,250
Deposit against Marginal Trading Services	12.2	9,988,705	8,893,398
Security deposits	12.3	347,250	1,128,679
Mobilization advance	12.4	2,888,545	1,787,391
Prepaid expenses		990,395	2,976,929
Sales tax receivables		1,479,699	366,827
Markup receivable against bank deposits		2,250,281	1,966,659
		<u>102,188,042</u>	<u>240,384,133</u>

12.1 This represents deposit with National Clearing Company of Pakistan Limited against the exposure margin in respect of trade in future and ready market. This deposit carry profit at rates ranging from 7:00% to 10% (30 June 2019: 3.50% to 9.35%).

12.2 This represents deposit with National Clearing Company of Pakistan Limited against the exposure margin in respect of trade and sustained losses to date on Marginal Trading Services. These deposits carry profit at rates ranging from 7:00% to 10:00% (30 June 2019: 3.50% to 9.35%).

12.3 This includes security deposit against leased asset.

12.4 This amount is paid to supplier against renovation of office premises.

## 13. ADVANCES AND OTHER RECEIVABLES

	Note	31 December 2019 (Un-audited) (Rupees)	30 June 2019 (Audited)
Considered good			
Advance against salary - secured		268,025	215,027
Other receivables and advances - unsecured		4,507,131	3,243,303
		<u>4,775,156</u>	<u>3,458,330</u>

## 14. CASH AND BANK BALANCES

Balances with banks:			
Saving accounts - profit or loss account	14.1	179,154,193	198,273,222
Current accounts - Conventional		11,315,892	36,475,310
Current accounts - Shariah Compliant		3,208,671	10,215,968
	14.2	<u>193,678,756</u>	<u>244,964,500</u>
Cash in hand		43,505	37,760
		<u>193,722,261</u>	<u>245,002,260</u>

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- 14.1** Profit rate on saving accounts ranges from 7:00% to 11:00% per annum (30 June 2019: 3.75% to 4.60% per annum).
- 14.2** This include Rs. 180.487 (30 June 2018: Rs. 204.004) million kept in designated bank accounts maintained on behalf of clients.

<b>15. AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>	<i>Note</i>	<b>31 December 2019 (Un-audited) (Rupees)</b>	<b>30 June 2019 (Audited)</b>
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**15.1 Issued, subscribed and paid-up capital**

Ordinary shares of Rs. 10 each fully paid in cash		<b>450,000,000</b>	<b>450,000,000</b>
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**16. SHORT TERM BORROWING - SECURED**

Short term running finance - secured	<i>16.1</i>	<b>-</b>	<b>199,986,969</b>
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- 16.1** Running finance facility of Rs. 150 million (30 June 2019: Rs. 250 million) has been obtained by the Company from Sindh Bank Limited having expiry on 30 June 2020 and is secured against charge over present and future current assets of the Company. The mark-up on the facility is payable quarterly at 3 month average KIBOR + 3.5% (30 June 2019: 3 month average KIBOR + 3.5%).

**17. TRADE AND OTHER PAYABLES**

Trade creditors	<i>17.1</i>	<b>172,852,226</b>	197,364,754
Payable to National Clearing Company of Pakistan Limited		-	8,307,611
Accrued commission to traders	<i>17.2</i>	<b>6,777,067</b>	1,333,897
Accrued salaries and other expenses		<b>3,401,395</b>	2,008,969
Auditor's remuneration		<b>435,000</b>	900,000
Tax deducted at source		<b>7,915,222</b>	1,601,691
Provision for sales tax		-	-
Commission payable	<i>17.3</i>	<b>78,251</b>	8,424,968
Markup payable		<b>1,983,117</b>	1,940,496
Other payables		<b>3,090,564</b>	3,214,411
		<b>196,532,842</b>	<b>225,096,797</b>

- 17.1** This includes trade payable of Rs. 10.659 (30 June 2019: Rs. 2.834) million payable to related parties.

- 17.2** This includes commission payable of Rs. 2.645 (30 June 2019: Rs. 0.537) million to related parties.

- 17.3** This represents commission payable to a foreign brokerage house.

**18. CONTINGENCIES AND COMMITMENTS**

**18.1 Contingencies**

- 18.1.1** The Sindh Revenue Board (SRB) passed an Order for recovery of Sindh sales tax on advisory services amounting to Rs. 871,581 for the tax period July 2011 to June 2012. The Company filed appeal before the Commissioner Appeals (SRB) against the said order. The Commissioner Appeals (SRB) passed the final order dated 21 November 2014 for recovery of assessed amount Rs. 871,581 and default surcharge to be calculated at the time of payment.

The Company filed the petition against the order to the Honourable High Court of Sindh ("the Court") and the Court granted an interim order dated 28 November 2014 and restrained the SRB from demanding any payment till further orders by the Court. The Court via its order dated 28 August 2015 disposed off the said petition and directed the Company to pursue the appeal before the SRB-Tribunal.

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The management is of the view that such services were not taxable under the Sindh Sales Tax Act, 2011 and the Company was duly paying Sindh Sales Tax on brokerage services and filing Sindh Sales Tax accordingly. The Company is confident of a favourable outcome of the same, therefore, no provision has been made in this regard. For income tax contingencies, refer note 23.

- 18.1.2** The Sindh Revenue Board issued notice to the Company in respect of short payment of sales tax for the tax periods from July 2011 to June 2018 amounting to Rs. 22.382 million. The Company provided all the relevant details and explanation to the SRB and also paid tax amounting to Rs. 6.509 million along with penalty and default surcharge amounting to Rs. 0.375 million under the amnesty scheme provided through notification no. SRB-3-4/11/2018 dated May 18, 2018.

After the compliance and payment, no further notice has been received.

- 18.1.3** The Sindh Revenue Board has issued show cause notice in respect of short declaration of revenue on which short paid sale tax amounting to Rs. 790,501 was computed in the tax period from July 2012 to June 2013. All the relevant details along with explanation have been submitted to the department. However, no further notice has been received from SRB.

- 18.1.4** The Sindh Revenue Board has issued show cause notice in respect of short declaration of revenue on which short paid sale tax amounting to Rs. 6,370,818 was computed in the tax period from July 2013 to June 2014. All the relevant details along with explanation have been submitted to the department. However, no further notice has been received from SRB.

**18.2 Commitments**

**31 December**      30 June  
**2019**              2019  
**(Un-audited)**      **(Audited)**  
**(Rupees)**

For sale of quoted securities under future contracts against counter commitments

**392,371,725**      **13,520,412,425**

For purchase of quoted securities under future contracts against counter commitments

**285,625,795**      **13,914,016,050**

- 18.2.1** The Company has availed running finance facilities with Sindh Bank Limited amounting to Rs. 150 million, which carry markup at the rate of 3 months KIBOR plus 3.5% and will mature on 30 June 2020.

Note	Six months ended 31 December		Quarter ended 31 December	
	2019	2018	2019	2018
	(Unaudited)		(Unaudited)	
	(Rupees)		(Rupees)	
<b>19. OPERATING REVENUE</b>				
Brokerage income	19.2	93,319,562	82,550,693	64,330,952
Advisory / consultancy fee		39,613,055	26,055,658	39,048,055
Debt capital market services		-	1,672,463	-
		<b>132,932,617</b>	<b>110,278,814</b>	<b>103,379,007</b>
Less: Sales tax on services		<b>17,281,240</b>	<b>12,494,536</b>	<b>6,777,650</b>
	19.1	<b>115,651,377</b>	<b>97,784,278</b>	<b>89,497,740</b>

**19.1 DISAGGREGATION OF REVENUE**

As required for the condensed interim financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

In the following table, revenue is disaggregated by type of customers:

	Six months ended 31 December	
	2019	2018
	(Unaudited)	
	(Rupees)	
- Institutional customers	62,151,030	36,502,119
- Retail clients	53,500,347	61,282,159
	<b>115,651,377</b>	<b>97,784,278</b>

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19.2 This includes brokerage earned from related parties amounting to Rs. 0.593 (31 December 2018: Rs. 0.837) million.

		Six months ended 31 December		Quarter ended 31 December	
	Note	2019	2018	2019	2018
		----- (Unaudited) -----		----- (Unaudited) -----	
		----- (Rupees) -----		----- (Rupees) -----	
20. OPERATING EXPENSES					
Salaries, wages and other benefits		22,364,395	22,969,201	11,714,344	11,886,136
Consultancy fee	20.1	3,236,641	1,190,992	1,810,547	100,000
Commission and referral fee	20.2	20,017,478	13,951,684	14,593,570	7,802,624
Sub-underwriting commission		1,589,113	-	1,589,113	-
Service and transaction charges		7,359,265	7,979,824	4,310,398	3,538,304
Fees and subscription		4,919,967	4,934,197	2,665,536	3,094,555
		<u>59,486,859</u>	<u>51,025,898</u>	<u>36,683,508</u>	<u>26,421,619</u>

20.1 This includes consultancy fee to the directors of the Company amounting to Rs. 0.500 (31 December 2018: Rs. 0.760) million.

20.2 This includes commission to the directors of the Company amounting to Rs.10.390 (31 December 2018: Rs. 10.218) million.

	Six months ended 31 December		Quarter ended 31 December	
	2019	2018	2019	2018
	----- (Unaudited) -----		----- (Unaudited) -----	
	----- (Rupees) -----		----- (Rupees) -----	
<b>21. ADMINISTRATIVE EXPENSES</b>				
Salaries, wages and other benefits	<b>18,298,141</b>	18,792,983	<b>9,930,244</b>	10,131,276
Telephone and communication charges	<b>1,909,169</b>	2,161,191	<b>890,455</b>	1,096,265
Rent expense	-	7,874,234	<b>(2,221,200)</b>	3,959,369
Utility charges	<b>1,208,496</b>	1,115,108	<b>600,037</b>	518,995
Vehicle running expenses	<b>1,148,942</b>	1,212,925	<b>534,355</b>	619,567
Depreciation	<b>10,163,966</b>	3,130,392	<b>6,751,348</b>	1,530,697
Amortisation	<b>189,166</b>	205,833	<b>94,582</b>	94,584
Legal and professional charges	<b>779,300</b>	360,798	<b>548,025</b>	222,150
Auditor's remuneration	<b>310,000</b>	183,000	<b>310,000</b>	183,000
Insurance	<b>967,441</b>	887,144	<b>479,220</b>	442,316
Printing, stationery and postage charges	<b>655,125</b>	607,087	<b>402,857</b>	338,543
Office supplies	<b>374,569</b>	360,904	<b>224,691</b>	110,307
Office repair and maintenance	<b>598,922</b>	1,228,406	<b>399,817</b>	653,566
Fees and subscription	<b>1,007,704</b>	1,010,619	<b>478,887</b>	593,642
Travelling and entertainment charges	<b>1,674,190</b>	2,154,352	<b>622,815</b>	1,105,930
Advertisement expenses	-	71,754	-	71,754
Security expense	<b>1,460,280</b>	1,466,695	<b>819,565</b>	950,984
Generator Fuel	<b>46,330</b>	-	<b>34,753</b>	-
Miscellaneous expenses	<b>1,355,978</b>	858,557	<b>1,008,411</b>	251,822
	<b>42,147,719</b>	43,681,982	<b>21,908,862</b>	22,874,767

## 22. OTHER INCOME

Mark-up / interest on:					
- Bank balances (under mark-up arrangements)		10,593,803	5,661,379	5,691,196	3,214,399
- Investment in Marginal Financing System		1,654,789	2,662,161	906,157	1,272,590
- Investment in Marginal Trading System		1,169,950	-	85,615	-
- Exposure margin		15,229,312	6,002,591	6,878,742	3,719,047
- Accrued interest on T-Bills		1,838,202	-	1,657,988	-
Gain on sale of assets		-	599,202	-	599,202
Miscellaneous income		401,898	-	401,898	-
		<u>30,887,954</u>	<u>14,925,333</u>	<u>15,621,596</u>	<u>8,805,238</u>

## 23. TAXATION

23.1 The income tax returns of the Company have been filed up to tax year 2019 under the Universal Self Assessment Scheme. This scheme provides that the return filed is deemed to be an assessment order. The returns may be selected for audit within five years. The Income Tax Commissioner may amend assessment if any objection is raised during audit.

Order under section 161 and 205 of the Income Tax Ordinance 2001 has been passed by the Assistant Commissioner Inland Revenue in respect of monitoring of withholding of taxes for the tax year 2016 on account of short deduction of tax on payments made by the Company amounting to Rs. 0.10 million.

15/01/20



Order under section 161 and 205 of the Income Tax Ordinance 2001 has been passed by the Assistant Commissioner Inland Revenue in respect of monitoring of withholding of taxes for the tax year 2011 on account of short deduction of tax on payments made by the Company amounting to Rs. 0.876 million. Against the said order the Company has preferred an appeal before the Commissioner Inland Revenue (Appeals) under section 127 of Income Tax Ordinance 2001. The case has been heard, however, the decision in appeal is still pending.

Order for amendment in assessment under section 122 (5A) of the Income Tax Ordinance 2001 has been passed by the tax authorities for the tax year 2011 on the basis that the tax deduction under section 153(1)(b) of the Ordinance was minimum tax, therefore, no refund is allowable to the Company creating tax demand of Rs. 26,698. The Company has preferred an appeal before the Commissioner Inland Revenue ( Appeals ) under section 127 of Income Tax Ordinance, 2001, where hearing in appeal is pending.

The Company has been selected for audit in respect of tax year 2016 through Random Computer Balloting in accordance with section 214C of the ordinance. The notice for submission of details was issued by Zone-V, Corporate Regional Tax Office, Karachi whereas jurisdiction of the Company falls with Zone-I Corporate Regional Tax office, Karachi. The same was responded and no further notice has been received yet.

**23.2** There is no change in the status of the current tax assessment.

#### **24. EARNINGS PER SHARE - BASIC AND DILUTED**

	<b>Six months ended</b>		<b>Quarter ended</b>	
	<b>31 December 2019</b>	31 December 2018 Restated	<b>31 December 2019</b>	31 December 2018 Restated
	----- (Un-audited) -----			
	----- (Rupees) -----			
Profit for the period	<b>23,266,829</b>	4,484,268	<b>31,854,554</b>	8,232,717
	----- (Numbers) -----			
Weighted average number of ordinary shares in issue during the period	<b>45,000,000</b>	45,000,000	<b>45,000,000</b>	45,000,000
	----- (Rupees) -----			
Earnings per share - basic and diluted	<b>0.52</b>	0.10	<b>0.71</b>	0.18

**24.1** Diluted earnings per share has not been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

#### **25. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Related parties comprise of associated companies, directors, key management personnel and close family members of the directors and key management personnel. Transactions with related parties are carried out at negotiated rates. Remuneration and benefits to executives of the Company are in accordance with the terms of their employment.

19/11/2019



Details of transactions and balances with related parties, other than those which have been specifically disclosed elsewhere in this condensed interim financial statement are as follows:

## 25.1 Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the condensed interim financial statements for remuneration, including certain benefits to the chief executive, directors and executives of the Company is as follows:

	Chief Executive		Directors		Executives	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Rupees)					
Managerial remuneration	5,000,000	3,000,000	-	5,415,995	13,064,046	12,699,124
House rent allowance	2,000,000	1,200,000	-	880,000	5,185,618	4,335,650
Medical	500,000	300,000	-	220,000	1,296,405	1,083,912
Commission	-	-	10,389,632	-	2,648,522	-
Consultancy fee	-	-	500,000	10,979,558	-	591,192
	<b>7,500,000</b>	<b>4,500,000</b>	<b>10,889,632</b>	<b>17,495,553</b>	<b>22,194,591</b>	<b>18,709,878</b>
Number of persons	<b>1</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>12</b>	<b>12</b>

25.2 The Company provided the CEO and certain executives with Company maintained cars as per their terms of employment.

## 25.3 Remuneration to non-executive directors

Commission and consultancy fees includes amounts paid to non-executive directors of the Company, amounting Rs.10.890 (31 December 2019: Rs. 10.761) million.

25.4 No fee is paid to directors for meetings attended by them.

## 26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

Fair value of the financial assets that are traded in active markets are based on quoted market prices. The following table shows fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

*fm*

**On balance sheet  
financial instruments**

31 December 2019 (Un-audited)

**Financial assets measured  
at fair value**

Investment in shares of Pakistan  
Stock Exchange Limited  
Listed equity securities  
Term finance certificates  
Market Treasury Bills

Mandatorily at FVTPL	Carrying value			Fair value		
	FVTOCI - equity instrument	Financial asset at amortised cost	Other financial liabilities	Level 1	Level 2	Level 3

(Rupees)

-	13,493,301	-	-	13,493,301		
4,000,000	-	-	-		4,000,000	
-	-	49,711,652	-		49,711,652	

**Financial assets not measured  
at fair value**

Long term deposits  
Trade debts  
Investment in Marginal Financing  
System  
Deposits and prepayments  
Advances and other receivables  
Cash and bank balances

-	-	8,111,753	-			
-	-	88,434,234	-			
-	-	27,460,840	-			
-	-	102,188,042	-			
-	-	4,775,156	-			
-	-	193,722,261	-			
4,000,000	13,493,301	474,403,938	-			

**Financial liabilities not  
measured at fair value**

Lease liabilities  
Unclaimed Dividend  
Short term borrowing - secured  
Trade and other payables  
Contract Liabilities

-	-	-	26,365,179			
-	-	-	3,055,446			
-	-	-	-			
-	-	-	196,532,842			
-	-	-	-			
-	-	-	225,953,467			

**On balance sheet  
financial instruments**

30 June 2019 (Audited)

**Financial assets measured  
at fair value**

Investment in shares of Pakistan  
Stock Exchange Limited  
Listed equity securities  
Term finance certificates  
Market Treasury Bills

Mandatorily at FVTPL	Carrying value			Fair value		
	FVTOCI - equity instrument	Financial asset at amortised cost	Other financial liabilities	Level 1	Level 2	Level 3

(Rupees)

-	14,055,522	-	-	14,055,522		
30,750,500	-	-	-	30,750,500		
4,000,000	-	-	-		4,000,000	
-	-	-	-			

**Financial assets not measured  
at fair value**

Long term deposits  
Trade debts - considered good  
Investment in marginal financing  
Deposits and prepayments  
Advances and other receivables  
Cash and bank balances

-	-	4,411,279	-			
-	-	130,746,852	-			
-	-	21,864,752	-			
-	-	240,384,133	-			
-	-	3,458,330	-			
-	-	245,002,260	-			
34,750,500	14,055,522	645,867,606	-			

**Financial liabilities not  
measured at fair value**

Lease liabilities  
Unclaimed dividend  
Short term borrowing - secured  
Trade and other payables  
Contract Liabilities

-	-	-	-			
-	-	-	5,117,003			
-	-	-	199,986,969			
-	-	-	225,763,464			
-	-	-	666,667			
-	-	-	431,534,103			

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## 27. OPERATING SEGMENTS

These condensed interim 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.

The internal reporting provided to the chief operating decision-maker relating to the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting and reporting standards as applicable in Pakistan.

There were no change in the reportable segment during the period.

## 28. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the Company in their meeting on 27-02-2020.

*km*

*ky*

Chief Executive

*Zulcar*

Director

*Radwan*

Chief Financial Officer