IGI FINEX SECURITIES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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TO THE MEMBERS OF IGI FINEX SECURITIES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **IGI FINEX SECURITIES LIMITED** (the Company), which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2018 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (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.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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b) the statement of financial position, the statement of profit or loss, statement of profit or loss and other 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) the Company was in compliance with the requirements of section 78 of the Securities Act, 2015 and section 62 of the Futures Market Act, 2016, and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the statement of financial position was prepared.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Noman Abbas Sheikh.

A. F. Ferguson & Co.

Chartered Accountants

Karachi

Date:

IGI FINEX SECURITIES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	2018	2017
		---------------- Rupees	---------------
ASSETS			
Non-current assets			
Fixed assets			
- Property and equipment	5	24,008,214	24,581,241
- Intangible assets	6	11,364,228	11,487,620
Investments - available for sale	7	21,752,072	35,906,547
Long term deposits	8	17,354,664	6,954,664
Deferred tax asset - net	9	57,428,382	61,796,536
		131,907,560	140,726,608
Current assets			
Trade receivables - net	10	58,409,479	91,777,851
Loan to Parent Company	11	-	69,859,738
Loans and advances	12	1,206,403	2,500,788
Deposits and prepayments	13	159,672,273	239,864,617
Accrued mark-up - net	14	5,733,169	22,268,226
Other receivables	15	1,842,350	5,816,319
Taxation recoverable		63,331,032	50,450,567
Cash and bank balances	16	213,136,036	272,533,136
		503,330,742	755,071,242
TOTAL ASSETS		635,238,302	895,797,850
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
60,000,000 ordinary shares of Rs. 10 each (2017: 60,000,000 ordinary shares of Rs. 10 each)		600,000,000	600,000,000
Issued, subscribed and paid-up share capital	17	520,000,000	520,000,000
Accumulated losses		(826,321,616)	(796,866,730)
Surplus on revaluation of available-for-sale investments	18	21,751,672	35,906,147
Advance against issue of preference shares	19	550,000,000	650,000,000
		265,430,056	409,039,417
Current liabilities			
Trade and other payables	20	369,808,246	486,758,433
TOTAL EQUITY AND LIABILITIES		635,238,302	895,797,850
CONTINGENCIES AND COMMITMENTS	21		

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

IGI FINEX SECURITIES LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	Year ended December 31, 2018	Six months ended December 31, 2017
		---------------- Rupees	--------------
Operating revenue	22	88,498,396	44,296,952
Other operating revenue	23	22,301,547	13,765,922
Total operating income		110,799,943	58,062,874
Administrative and operating expenses	24	(133,439,944)	(65,691,421)
Financial charges		(589,071)	(250,877)
Total operating expenses		(134,029,015)	(65,942,298)
Other income	25	278,891	184,309
Other expense	26	(334,400)	-
(Provision) / reversal of provision against trade receivables - net	10.2	(404,516)	2,349,819
Loss before taxation		(23,689,097)	(5,345,296)
Taxation	28	(5,765,789)	(23,575,987)
Loss after taxation		(29,454,886)	(28,921,283)
Loss per share - basic and diluted	29	(0.57)	(0.56)

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

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CHIEF EXECUTIVE OFFICER

DIRECTOR

IGI FINEX SECURITIES LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

	Year ended December 31, 2018	Six months ended December 31, 2017
	---------------- Rupees	--------------
Loss after taxation	(29,454,886)	(28,921,283)
Items that may be reclassified to statement of profit or loss subsequently:		
Unrealised loss on revaluation of available for sale investments	(14,154,475)	(5,257,691)
Total comprehensive loss for the year / period	(43,609,361)	(34,178,974)

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

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CHIEF EXECUTIVE OFFICER

DIRECTOR

IGI FINEX SECURITIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Issued, subscribed and paid-up share capital	Advance against issue of preference shares	Net surplus / (deficit) on revaluation of available-for-sale investments	Accumulated losses	Total
			(Rupees)		
Balance as at July 1, 2017	520,000,000	650,000,000	41,163,838	(767,945,447)	443,218,391
Total comprehensive loss for the period					
Loss after taxation for six months ended December 31, 2017	-	-	-	(28,921,283)	(28,921,283)
Other comprehensive loss	-	-	(5,257,691)	-	(5,257,691)
Total comprehensive loss for the period	-	-	(5,257,691)	(28,921,283)	(34,178,974)
Balance as at December 31, 2017	520,000,000	650,000,000	35,906,147	(796,866,730)	409,039,417
Total comprehensive loss for the year					
Loss after taxation for the year ended December 31, 2018	-	-	-	(29,454,886)	(29,454,886)
Other comprehensive loss	-	-	(14,154,475)	-	(14,154,475)
Total comprehensive loss for the year	-	-	(14,154,475)	(29,454,886)	(43,609,361)
Repayment of advance against preference shares (note 19)	-	(100,000,000)	-	-	(100,000,000)
Balance as at December 31, 2018	520,000,000	550,000,000	21,751,672	(826,321,616)	265,430,056

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

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CHIEF EXECUTIVE OFFICER

DIRECTOR

IGI FINEX SECURITIES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	Year ended December 31, 2018	Six months ended December 31, 2017
		---------------- Rupees	--------------
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(23,689,097)	(5,345,296)
Adjustments for non-cash items			
Depreciation	5	6,226,718	2,928,166
Amortisation	6	123,392	65,083
Loss / (gain) on disposal of property and equipment	25 & 26	184,400	(103,714)
Provision / (reversal) of provision against trade receivables - net	10.2	404,516	(2,349,819)
Dividend income	23	(83,312)	(320,591)
Profit on savings accounts	23	(10,017,462)	(5,197,950)
Income on deposit with Pakistan Stock Exchange Limited	23	(8,476,327)	(3,625,933)
Income on deposit with Pakistan Mercantile Exchange Limited	23	(19,555)	(38,240)
Income on loan to Parent Company	23	(1,629,777)	(2,911,889)
Financial charges		589,071	250,877
		(12,698,336)	(11,304,010)
		(36,387,433)	(16,649,306)
Changes in working capital			
Decrease / (increase) in current assets			
Trade receivable - net		32,963,856	9,373,403
Loans and advances		1,294,385	(1,060,368)
Deposits and prepayments		80,192,344	(25,743,265)
Other receivables		3,973,969	6,143,494
		118,424,554	(11,286,736)
Decrease in current liabilities			
Trade and other payables		(116,950,187)	(180,847,583)
Finance cost paid		(589,071)	(250,877)
Income tax paid		(14,278,100)	(9,192,689)
Net cash used in operating activities		(49,780,237)	(218,227,191)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property and equipment		(6,130,463)	(6,856,003)
Proceeds on disposal of property and equipment		292,372	510,563
Long-term deposits		(10,400,000)	20,980,000
Dividend received		83,312	320,591
Receipts from loan to Parent Company		69,859,738	-
Profit / income received on savings accounts, deposits and loan		36,678,178	10,962,406
Net cash generated from investing activities		90,383,137	25,917,557
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of advance against preference shares		(100,000,000)	-
Net cash used in financing activities		(100,000,000)	-
Net decrease in cash and cash equivalents		(59,397,100)	(192,309,634)
Cash and cash equivalents at the beginning of the year / period		272,533,136	464,842,770
Cash and cash equivalents at the end of the year / period	16	213,136,036	272,533,136

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

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CHIEF EXECUTIVE OFFICER

DIRECTOR

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 IGI Finex Securities Limited (the Company) was incorporated in Pakistan on June 28, 1994 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the Company is situated at Suite No. 701-713, 7th Floor, the Forum, G-20, Khayaban-e-Jami, Block-9, Clifton, Karachi. The Company has a Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited and is a corporate member of Pakistan Mercantile Exchange Limited.

The principal activities of the Company include shares and commodities brokerage, money market and foreign exchange brokerage and advisory and consulting services.

The Company is a wholly owned subsidiary of IGI Holdings Limited (the Parent Company).

The Company operates with a total number of 8 (2017: 9) branches in Karachi, Lahore, Islamabad, Faisalabad, Rahim Yar Khan, Peshawar, Abbottabad, and Multan.

2 CHANGE OF FINANCIAL YEAR OF THE COMPANY

During the period ended December 31, 2017, the Company had changed its financial year from June to December in order to align the Company's financial year with the financial year of its Parent Company. Accordingly the last audited statutory financial statements of the Company covered six months period from July 1, 2017 to December 31, 2017.

The corresponding figures presented in the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity pertain to six months ended December 31, 2017.

3 BASIS OF PREPARATION AND MEASUREMENT

3.1 Statement of compliance

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

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

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

3.2 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year:

There are certain other amendments to the standards and new interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

The third and fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Accordingly, disclosure in these financial statements have been aligned with the fourth schedule of the Companies Act, 2017.

3.3 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective:

The following revised standards, amendments and interpretations with respect to the accounting and reporting standards would be effective from the dates mentioned below against the respective standard, amendments or interpretation:

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Standard, interpretation or amendment	Effective date (accounting periods ending on or after)
IFRS 9 - Financial Instruments	June 30, 2019
	Effective date (accounting periods beginning on or after)
IFRS 15 - Revenue from contracts	July 1, 2018
IFRS 16 - Leases	January 1, 2019

The management is currently in the process of assessing the impact of these IFRS on the financial statements of the Company.

There are certain other new and amended standards and interpretations to published accounting standards that are mandatory for accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or will not have any significant effect on the Company's financial statements and are therefore not detailed in these financial statements.

3.4 Basis of measurement

These financial statements have been prepared under the historical cost convention except that investment has been carried at fair value in accordance with the requirements of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement".

3.5 Functional and presentation currency

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

3.6 Critical accounting estimates and judgments

The preparation of these financial statements in conformity with the accounting and reporting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

i) Determination and measurement of useful life and residual value of fixed assets (notes 4.1.1 and 5);

ii) Amortisation of intangible assets (notes 4.1.2 and 6);

iii) Impairment of non-financial assets (note 4.2);

iv) Classification and valuation of investments (notes 4.3 and 7);

v) Provision against doubtful debts, accrued mark-up and other receivables (notes 4.9, 10, 14 and 15); and

vi) Income taxes (notes 4.10, 9 and 28).

3.7 Summary of significant transactions and events that have affected the Company's financial position and performance during the year

- During the year the financial performance of the Company has been affected due to persistent low volumes in the stock market, primarily led by weak macroeconomic fundamentals, weakening currency, policy rate increase, rising external debt, and uncertainty over IMF program.

- For a detailed discussion about the Company's performance please refer to the Director's Report.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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4.1 Fixed assets

4.1.1 Property and equipment

These are stated at cost less accumulated depreciation or accumulated impairment losses, if any, except for capital work-in-progress which is stated at cost less accumulated impairment losses, if any. The cost of an item of fixed assets comprises of its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation on all fixed assets is calculated using the straight line method in accordance with the rates specified in note 5 to these financial statements after taking into account residual values, if significant. The assets' residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation on additions is charged from the date the asset is available for use. For any disposal, depreciation is charged till the date of disposal.

Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the statement of profit or loss as and when incurred.

Gains or losses arising from derecognition of a fixed asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

4.1.2 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method taking into account residual value, if any, at the rates specified in note 6 to these financial statements. Amortisation is charged from the date the asset is available for use while in the case of assets disposed of, it is charged till the date of disposal. The useful life and amortisation method is reviewed and adjusted, if appropriate, at each reporting date.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any. An intangible asset is regarded as having an indefinite useful life, when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which asset is expected to generate net cash inflows for the Company. An intangible asset with an indefinite useful life is not amortised. However, the carrying amount is reviewed at each reporting date or whenever there is an indication that the asset may be impaired, to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds the estimated recoverable amount, it is written down to its estimated recoverable amount.

Intangible assets exchanged for a non-monetary asset or assets, or a combination of monetary and non-monetary assets is measured at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measureable. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the assets given up.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

4.1.3 Investment property

Investment properties are properties held to earn rentals and / or capital appreciation or for both. Investment properties are initially measured at cost, including transaction costs. Investment property transferred from owner-occupied properties is recognised at its carrying amount on the date of transfer. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged to the statement of profit or loss applying the straight-line method. The assets' residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Gains or losses on disposals of investment property are taken to the statement of profit or loss in the period in which they arise.

Repairs and maintenance are charged to the statement of profit or loss in the period in which they are incurred.

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4.2 Impairment of non-financial assets

The carrying amounts of the Company's assets other than deferred tax asset and intangible assets with indefinite useful life, are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, then the asset's recoverable amount is estimated to assess whether asset's carrying value exceeds its recoverable amount. Where carrying value exceeds the estimated recoverable amount, asset is written down to its recoverable amount. Impairment losses are recognised as expense in the statement of profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.3 Financial assets

4.3.1 Classification

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard (IAS) 39; 'Financial Instruments: Recognition and Measurement' at the time of purchase of investment. The financial assets of the Company are categorised as follows:

a) **Financial assets 'at fair value through profit or loss - held for trading'**

Investments that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as financial assets 'at fair value through profit or loss - held for trading'.

b) **Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) **Held to maturity investments**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity.

d) **Available for sale**

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, (b) loans and receivables or (c) held to maturity investments.

4.3.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the asset.

4.3.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets 'at fair value through profit or loss - held for trading'. Financial assets 'at fair value through profit or loss - held for trading' are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss.

4.3.4 Subsequent measurement

Subsequent to initial recognition, financial assets classified by the management as financial assets 'at fair value through profit or loss - held for trading' and available for sale that comprise of equity securities are valued on the basis of quoted market prices. Loans and receivables are carried at amortised cost. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment, if any.

Held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

Net gains and losses arising on changes in the fair value of financial assets 'at fair value through profit or loss - held for trading' are taken to the statement of profit or loss.

Net gains and losses arising on changes in fair value of available for sale financial assets are taken to other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in statement of profit or loss and other comprehensive income is transferred to the statement of profit or loss.

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4.3.5 Impairment of financial assets

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

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised on equity instruments are not reversed through the statement of profit or loss.

4.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

4.4 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

4.5 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

4.6 Securities under repurchase / resale agreement

Transactions of sale under repurchase (repo) of securities are entered into at contracted rates for specified periods of time. These securities are not derecognised from the financial statements and are continued to be recognised as investments and measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as interest / mark-up expense and accrued over the life of the repo agreement.

Transactions of purchase under resale (reverse-repo) of securities are entered into at contracted rates for specified periods of time. These securities are not recognised in the financial statements as investments, as the Company does not obtain control over the assets. Amounts paid under these arrangements are included in the financial statements as receivable against reverse repurchase transactions. The difference between purchase and resale price is treated as income from the date of reverse repurchase transaction and accrued over the life of the reverse-repo agreement.

All purchases and sales of securities that require delivery within the time frame established by the regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the asset.

4.7 Trade debts and other receivables

Trade debts are recognised initially at invoice value and subsequently measured at cost, less provision for impairment. A provision for impairment for trade debts is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable.

4.8 Trade and other payables

Liabilities for trade and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services, whether or not billed to the Company.

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4.9 Provisions

Provisions are recognised when the Company has a present obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.10 Taxation

4.10.1 Current

Provision for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under normal tax regime after taking into account tax credits and rebates available, if any, or on turnover at the specified rate or Alternate Corporate Tax as defined in section 113C of Income Tax Ordinance, 2001, whichever is higher. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the current year.

4.10.2 Deferred

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

Deferred tax asset is recognised only to the extent that it is probable that taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax asset is reviewed at each reporting date and suitable adjustments are made to that extent.

Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they will be reversed, based on the tax rates that have been enacted or substantively enacted at the reporting date.

4.11 Revenue recognition

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable on the following basis:

- Brokerage, consultancy and advisory fee, commission on commodity contracts and government securities etc. are recognised as and when such services are rendered.
- Income from loans and bank deposits is recognised on accrual basis.
- Dividend income is recorded when the right to receive the dividend is established.
- Gains / (losses) arising on sale of investments are included in the statement of profit or loss in the period in which they arise.
- Unrealised gains / (losses) arising from mark to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in the statement of profit or loss in the period in which they arise.

4.12 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends and transfers are approved.

4.13 Cash and cash equivalents

Cash and cash equivalents for the purpose of statement of cash flows include cash in hand, balances with banks in current and savings accounts, term deposits, short-term running finances under mark-up arrangements and other short-term highly liquid investments with original maturities of three months or less.

4.14 (Loss) / earnings per share (EPS)

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

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5 PROPERTY AND EQUIPMENT

	2018						
	Leasehold improve-ments	Furniture and fixtures	Office equipment	Communi-cation equipment	Computer equipment	Motor vehicles	Total
	Rupees						
As at Jan 1, 2018							
Cost	18,652,508	3,368,226	3,558,239	4,279,107	23,017,792	24,834,002	77,709,874
Accumulated depreciation	16,370,144	2,491,244	3,015,839	3,993,151	20,916,048	6,342,207	53,128,633
Net book value	2,282,364	876,982	542,400	285,956	2,101,744	18,491,795	24,581,241
Year ended December 31, 2018							
Opening net book value	2,282,364	876,982	542,400	285,956	2,101,744	18,491,795	24,581,241
Additions	1,841,116	12,500	155,400	135,000	1,193,362	2,793,085	6,130,463
Disposals - note 5.1							
Cost	-	2,295,998	1,372,412	1,692,845	18,760,492	43,500	24,165,247
Accumulated depreciation	-	1,952,734	1,370,719	1,587,049	18,759,923	18,050	23,688,475
	-	343,264	1,693	105,796	569	25,450	476,772
Depreciation charge for the year	773,110	183,457	101,965	87,851	1,318,368	3,761,967	6,226,718
Closing net book value	3,350,370	362,761	594,142	227,309	1,976,169	17,497,463	24,008,214
As at December 31, 2018							
Cost	20,493,624	1,084,728	2,341,227	2,721,262	5,450,662	27,583,587	59,675,090
Accumulated depreciation	17,143,254	721,967	1,747,085	2,493,953	3,474,493	10,086,124	35,666,876
Net book value	3,350,370	362,761	594,142	227,309	1,976,169	17,497,463	24,008,214
Depreciation rate % per annum	10	10	10	20	33	20	

	2017						
	Leasehold improve-ments	Furniture and fixtures	Office equipment	Communi-cation equipment	Computer equipment	Motor vehicles	Total
	Rupees						
As at July 1, 2017							
Cost	18,652,508	3,050,226	3,558,239	4,244,107	24,154,709	20,527,799	74,187,588
Accumulated depreciation	15,578,606	2,357,109	2,889,906	3,949,426	21,713,909	6,638,379	53,127,335
Net book value	3,073,902	693,117	668,333	294,681	2,440,800	13,889,420	21,060,253
Six months ended December 31, 2017							
Opening net book value	3,073,902	693,117	668,333	294,681	2,440,800	13,889,420	21,060,253
Additions	-	318,000	-	35,000	321,800	6,181,203	6,856,003
Disposals							
Cost	-	-	-	-	1,458,717	1,875,000	3,333,717
Accumulated depreciation	-	-	-	-	1,458,717	1,468,151	2,926,868
	-	-	-	-	-	406,849	406,849
Depreciation charge for the period	791,538	134,135	125,933	43,725	660,856	1,171,979	2,928,166
Closing net book value	2,282,364	876,982	542,400	285,956	2,101,744	18,491,795	24,581,241
As at December 31, 2017							
Cost	18,652,508	3,368,226	3,558,239	4,279,107	23,017,792	24,834,002	77,709,874
Accumulated depreciation	16,370,144	2,491,244	3,015,839	3,993,151	20,916,048	6,342,207	53,128,633
Net book value	2,282,364	876,982	542,400	285,956	2,101,744	18,491,795	24,581,241
Depreciation rate % per annum	10	10	10	20	33	20	

5.1 The aggregate net book value of disposals during the year is not in excess of Rs. 0.5 million.

5.2 Cost and accumulated depreciation at the end of the year include Rs. 20.961 million (2017: Rs.39.112 million) in respect of fully depreciated assets still in use.

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6 INTANGIBLE ASSETS

	2018				
	Membership card (note 6.1)	Computer software	Club membership	Trading Rights Entitlement Certificates (TREC) (note 6.2)	Total
	Rupees				
As at Jan 1, 2018					
Cost	250,000	11,219,157	2,000,000	14,999,000	28,468,157
Accumulated amortisation / impairment	-	(10,980,537)	(2,000,000)	(4,000,000)	(16,980,537)
Net book value	250,000	238,620	-	10,999,000	11,487,620
Year ended December 31, 2018					
Opening net book value	250,000	238,620	-	10,999,000	11,487,620
Additions	-	-	-	-	-
Amortisation / impairment for the year	-	(123,392)	-	-	(123,392)
Closing net book value	250,000	115,228	-	10,999,000	11,364,228
As at December 31, 2018					
Cost	250,000	11,219,157	2,000,000	14,999,000	28,468,157
Accumulated amortisation / impairment	-	(11,103,929)	(2,000,000)	(4,000,000)	(17,103,929)
Net book value	250,000	115,228	-	10,999,000	11,364,228
Amortisation rate % per annum		33.33	50		

	2017				
	Membership card (note 6.1)	Computer software	Club membership	Trading Rights Entitlement Certificates (TREC) (note 6.2)	Total
	Rupees				
As at July 1, 2017					
Cost	250,000	11,219,157	2,000,000	14,999,000	28,468,157
Accumulated amortisation / impairment	-	(10,915,454)	(2,000,000)	(4,000,000)	(16,915,454)
Net book value	250,000	303,703	-	10,999,000	11,552,703
Six months ended December 31, 2017					
Opening net book value	250,000	303,703	-	10,999,000	11,552,703
Additions	-	-	-	-	-
Amortisation / impairment for the period	-	(65,083)	-	-	(65,083)
Closing net book value	250,000	238,620	-	10,999,000	11,487,620
As at December 31, 2017					
Cost	250,000	11,219,157	2,000,000	14,999,000	28,468,157
Accumulated amortisation / impairment	-	(10,980,537)	(2,000,000)	(4,000,000)	(16,980,537)
Net book value	250,000	238,620	-	10,999,000	11,487,620
Amortisation rate % per annum		33.33	50		

6.1 This represents membership card of Pakistan Mercantile Exchange Limited as the Company is a member of Pakistan Mercantile Exchange Limited as explained in note 1.1.

6.2 This represent Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited pursuant to the promulgation of Stock Exchanges (Corporation, Demutualization and Integration) Act, 2012.

6.3 Cost and accumulated amortisation at the end of the year include Rs. 12.869 million (2017: Rs.12.828 million) in respect of fully amortised intangible assets still in use.

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7 INVESTMENTS - available-for-sale

	2018					2017				
	Number of shares	Cost	(Impair-ment / provision)	Unrealised gain	Market value	Number of shares	Cost	(Impair-ment / provision)	Unrealised gain	Market value
		Rupees					Rupees			
Pakistan Stock Exchange Limited	1,602,953	400	-	21,751,672	21,752,072	1,602,953	400	-	35,906,147	35,906,547

7.1 Pursuant to the promulgation of Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act) during financial year ended June 30, 2013, the Company was allotted 4,007,383 shares of Karachi Stock Exchange Limited (KSE). 40% of the allotted shares were received by the Company and remaining 60% were kept in a blocked CDC account maintained by KSE. Pursuant to the integration, the name of KSE had been changed to Pakistan Stock Exchange Limited (PSX).

During the year ended June 30, 2017, Disinvestment Committee of the Exchange had issued an invitation for expression of interest for acquiring upto 40% equity stake in PSX held blocked CDC account. Thereafter bids were submitted by interested parties and as a result of the bidding process, share price of Rs 28 per share had been offered by the anchor investor / successful investor. Sale proceeds of the 40% shares sold, after retaining 10% of the sale price for one year to settle any outstanding liabilities of PSX in terms of Share Purchase Agreement (SPA), had been received by the Company in March 2017. 10% retention money from sale of PSX shares amounting to Rs. 4.488 million was received by the Company in April 2018.

Moreover in June 2017, the Company further sold 801,477 shares of PSX (20% of the original holding), through Initial Public Offer (IPO), and the procedures for formal listing and quotation of PSX was concluded on June 29, 2017. As at December 31, 2018 the share of the PSX was valued at Rs. 13.57 per share (2017: Rs. 22.40 per share), resulting in the reduction in surplus on revaluation by Rs. 14.154 million (2017: Rs. 5.257 million) on shares held by the Company. As at December 31, 2018, 1,081,194 shares are freezed in CDC account in order to comply with the Base Minimum Capital requirement prescribed by the PSX.

8 LONG TERM DEPOSITS

	Note	2018	2017
		Rupees	
Deposits with:			
LSE Financial Services Limited		50,000	50,000
National Clearing Company of Pakistan Limited		1,550,000	1,550,000
Pakistan Mercantile Exchange Limited		750,000	750,000
NCEL Building Management (Private) Limited	8.1	2,500,000	2,500,000
Pakistan Stock Exchange Limited	8.2	12,500,000	2,100,000
Others		4,664	4,664
		17,354,664	6,954,664

8.1 This represents deposit given to NCEL Building Management (Private) Limited for acquiring office premises.

8.2 This represents amount deposited with Pakistan Stock Exchange Limited (PSX) on account of Base Minimum Capital prescribed by PSX. This deposit is in addition to the shares of PSX as mentioned in note 7.1 to these financial statements.

9 DEFERRED TAX ASSET - NET

	Note	2018	2017
		Rupees	
Deductible temporary differences arising in respect of:			
- Unused tax losses	9.1	12,728,350	8,907,382
- Provision for doubtful debts and other receivables	9.1	44,420,019	52,525,068
- Provision for leave encashment		617,659	332,800
- Accelerated tax depreciation		-	31,286
		57,766,028	61,796,536
Taxable temporary differences arising in respect of:			
- Accelerated tax depreciation		337,646	-
		57,428,382	61,796,536

9.1 The Company has an aggregate amount of Rs. 48.953 million (2017: Rs. 29.084 million) [including unabsorbed tax depreciation and amortisation] in respect of available tax losses as at December 31, 2018 and has an aggregate amount of Rs. 705.50 million (2017: Rs 708.28 million) in respect of deductible temporary differences arising on provisions made against doubtful receivables on the same date.

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While maintaining that deferred tax on deductible differences (provision for doubtful receivables) provides an opportunity for tax planning and the Company would be able to fully utilise them in the future years, management has taken a conservative view on the balance of deferred tax recognised as an asset against deductible temporary differences in the financial statements of the Company. The Company, nevertheless, retains the right to consider and evaluate on an ongoing basis tax planning opportunities with respect to provision write offs. Accordingly, on a conservative estimate basis the amount of deferred tax asset recognised against available tax losses and deductible temporary differences has been limited to Rs 57.43 million (2017: Rs 61.80 million) during the year.

In connection with the above, the management has prepared financial projections which have been approved by the Board of Directors of the Company. These projections involve certain key assumptions underlying the estimation of future taxable profits. The determination of future taxable profits takes into account various assumptions regarding the future business, economic and market conditions. Key assumptions include market share of the Company, average commission rate, growth in market volumes, cost to income ratios, returns on funds deployed, timing of write offs etc. A significant change in the assumptions used may impact the realisability of the deferred tax asset.

		Note	2018	2017
10	TRADE RECEIVABLES - NET		Rupees	
	Considered good			
	Receivable from clients against purchase of marketable securities and commodity contracts	10.1	44,150,367	77,057,286
	Considered doubtful			
	Receivable from clients against purchase of marketable securities and commodity contracts		600,338,115	600,395,052
	Commission receivable		414,265	414,265
	Provision against doubtful debts	10.2	(586,493,268)	(586,088,752)
			14,259,112	14,720,565
			58,409,479	91,777,851

10.1 This includes amounts due from related parties as under:

	2018	2017
Key management personnel	97	215
Other related parties and associated undertakings	4,861,306	4,502,380
	4,861,403	4,502,595

10.2 Provision against doubtful debts

	Note	2018	2017
Opening provision		586,088,752	588,438,571
Charge for the year / period		404,516	282,091
Reversal during the year / period		-	(2,631,910)
		404,516	(2,349,819)
Closing provision	10.2.1	586,493,268	586,088,752

10.2.1 This includes provisions of Rs. 4.404 million (2017: Rs. 4.404 million) in respect of related parties.

10.2.2 Provision against doubtful debts has been made after considering the adjusted market value of listed equity securities amounting to Rs. 60.25 million (2017: Rs. 19.918 million) held in custody by the Company against respective customers accounts.

10.3 Ageing Analysis

	Gross Amount	Provision Held	Net Amount
	Rupees		
Upto 5 days	37,381,733	2,212	37,379,521
More than 5 but upto 14 days	510,924	3	510,921
More than 14 but upto 30 days	1,349,207	881	1,348,326
More than 30 but upto 60 days	1,242,950	19,032	1,223,918
More than 60 but upto 90 days	259,085	165	258,920
More than 90 days	604,158,848	586,470,975	17,687,873
	644,902,747	586,493,268	58,409,479

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	Note	2018	2017
10.4 Customer Assets		---------- Rupees	----------
Central Depository System		5,360,766,267	5,637,281,231

11 LOAN TO PARENT COMPANY

	Note	2018	2017
IGI Holdings Limited - parent company	11.1	-	69,859,738

11.1 During the year ended June 30, 2015, the Company had entered into a long term loan agreement with IGI Investment Bank Limited [now merged into IGI Holdings Limited (formerly IGI Insurance Limited)] (Parent Company) for Rs. 85 million. Under the terms of the Loan Agreement, the loan was to be disbursed in multiple tranches, on various dates and amounts as mutually agreed by the parties to the agreement. The loan carries markup rate at 1 month KIBOR + 2% and was repayable at the earlier of the expiry of 3 years from the date of disbursement of first tranche of the loan or upon occurrence of any change in the shareholding of the Parent Company or the Board of Directors of the Parent Company that would result in change of control of the Parent Company from the persons in whose hands it vests as of the date of the Loan Agreement ('the Due Date'), as the case may be. The Parent Company may, at its discretion, prepay all or any portion of the aforesaid loan at any time prior to the due date. Subsequent to the period end, the shareholders of the Company in their extraordinary general meeting held on April 02, 2018, have approved extension in repayment of this loan alongwith mark-up till April 30, 2018. The outstanding balance is paid by the Parent Company in April 2018.

11.2 The maximum aggregate balance was Rs. 69.860 million in respect of loan provided to the Parent Company which was fully repaid during the year.

12 LOANS AND ADVANCES

	Note	2018	2017
		---------- Rupees	----------
Considered good			
Advances to employees	12.1	779,774	798,570
Others		426,629	1,702,218
		1,206,403	2,500,788

12.1 The advances to employees are given to meet personal and travelling expenses. These are granted to employees of the Company in accordance with their terms of employment and are recovered through deductions from salaries / against expense settlements.

13 DEPOSITS AND PREPAYMENTS

	Note	2018	2017
		---------- Rupees	----------
Pakistan Stock Exchange Limited		357,923	357,923
Exposure deposit with National Clearing Company of Pakistan Limited / Pakistan Stock Exchange Limited	13.1	155,648,177	228,750,000
Pakistan Mercantile Exchange Limited - margin deposit		1,043,744	4,741,452
Security deposits		987,446	2,690,840
Prepayments		1,634,983	3,324,402
		159,672,273	239,864,617

13.1 This represents the deposit held at the year end against exposures arising out of trading in securities in accordance with the regulations of the Pakistan Stock Exchange Limited. Interest is earned on the deposit at rates as determined by the Exchange. These deposits carry interest / mark-up at 3.5% to 6.5% (2017: 3.5%) per annum.

14 ACCRUED MARK-UP - net

	Note	2018	2017
		---------- Rupees	----------
Considered good			
Accrued income on savings accounts, loans and exposure deposits	14.1	5,733,169	22,268,226
Considered doubtful			
Accrued mark-up income		69,947,808	69,947,808
Accrued income on other receivables		12,440,328	12,440,328
Provision against doubtful accrued mark-up		(82,388,136)	(82,388,136)
		5,733,169	22,268,226

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14.1 During the year the Company received markup from the Parent Company amounting to Rs.16.871 million related to loan as explained in note 11.

15 OTHER RECEIVABLES

	Note	2018	2017
		---- Rupees ----	
Considered good			
Receivable from Pakistan Stock Exchange Limited	15.1	-	4,488,269
Receivable from related party	15.2	1,101,833	667,320
Others		740,517	660,730
		1,842,350	5,816,319
Receivable against overdue reverse repurchase transaction	15.3	13,297,927	13,297,927
Others		26,506,756	26,506,756
		39,804,683	39,804,683
Provision against doubtful other receivables	15.4	(39,804,683)	(39,804,683)
		1,842,350	5,816,319

15.1 This represent amount received from Pakistan Stock Exchange (PSX) related to 10% retention money as fully explained in note 7.1.

15.2 This represents receivable on account of group shared services.

15.3 This represents receivable against overdue reverse repurchase transaction with another brokerage house. During financial year ended June 30, 2013, the borrower entered into a settlement agreement with the Company under which it acknowledged its liability to pay Rs 114 million and the related mark-up and also paid Rs 50 million against the release of certain shares held as collateral. The outstanding balance as at the previous reporting period was secured against certain shares listed on PSX and ten shops located at Fortress Stadium, Lahore. During the year ended June 30, 2015, these collaterals were sold by the Company. The remaining balance of Rs. 39.8 million which is unsecured has been fully provided.

15.4 Provision against doubtful other receivables

	Note	2018	2017
		---- Rupees ----	
Opening balance		39,804,683	39,804,683
Charge for the year / period		-	-
Reversal during the year / period		-	-
Balance as at year / period end		39,804,683	39,804,683

16 CASH AND BANK BALANCES

	Note	2018	2017
Cash in hand		-	17,380
Cash at bank			
Current accounts		21,008,910	14,823,499
Savings accounts	16.1	192,127,126	257,692,257
		213,136,036	272,515,756
	16.2	213,136,036	272,533,136

16.1 These savings accounts carry mark-up ranging from 3.70% to 6.50% (2017: 3.70% to 5%) per annum.

16.2 This includes an amount of Rs. 182.816 million (2017: Rs. 259.292 million) representing clients' funds.

17 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2018	2017		2018	2017
Number of shares			---- Rupees ----	
52,000,000	52,000,000	ordinary shares of Rs. 10 each fully paid in cash	520,000,000	520,000,000

17.1 The Parent Company holds 52,000,000 shares (2017: 52,000,000 shares).

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18	SURPLUS ON REVALUATION OF AVAILABLE OF SALE INVESTMENTS	Note	2018	2017
			---------- Rupees ----------	
	Opening surplus on revaluation of available for sale investments		35,906,147	41,163,838
	Unrealised loss recognised during the year / (period)	7	(14,154,475)	(5,257,691)
	Closing surplus on revaluation of available for sale investments		21,751,672	35,906,147

19 ADVANCE AGAINST ISSUE OF PREFERENCE SHARES

During the financial year ended June 30, 2012, the Company received Rs. 650,000,000 in the form of interest free subordinated loan from Mr. Syed Babar Ali, Chairman – IGI Holdings Limited, the Parent Company, and a key sponsor of the Company. On June 29, 2012, the Company and Mr. Syed Babar Ali entered into an irrevocable Subscription Agreement to convert the subordinated loan into preference shares to be issued by the Company to Mr. Syed Babar Ali.

The Subscription Agreement provides for issue of 65,000,000 preference shares at the rate of Rs 10 per share and these shares will be non-voting, non-redeemable, non-convertible and non-cumulative. Further, under the Subscription Agreement, the Company is to take steps for issuance and allotment of preference shares to Mr. Syed Babar Ali and to complete all requisite formalities in that connection.

On April 18, 2014 and June 30, 2016 the Company had signed Addendums to the aforesaid Subscription Agreement to amend the terms for payment of dividend to the preference shareholder, as may be declared by the Company out of its distributable profits and the entitlement of preference shareholder in case of liquidation of the Company.

Consequent to the above, in case of change in management control of the Company, the preference shareholder shall be first paid dividend up to 10% of par value until the aggregate amount of preferential dividend paid equals Rs. 650 million and thereafter, 0.1% of par value. Further, in case of liquidation of the Company, preference shareholder shall have priority over ordinary shareholder to the extent of par value of preference shares held, less dividends paid on preference shares.

Since the Company is yet to complete formalities for issuance of the said preference shares, the amount has been reported as advance against issue of preference shares.

During the year the Company has repaid an amount of Rs 100 million in respect of the advance against preference shares.

20	TRADE AND OTHER PAYABLES	Note	2018	2017
			---------- Rupees ----------	
	Payable against sale of marketable securities	20.1	290,547,585	376,372,906
	Payable to National Clearing Company of Pakistan Limited (NCCPL)		34,123,395	68,200,978
	Payable against profit on unutilised funds	20.2	1,708,316	5,616,075
	Payable to related party	20.3	21,583,428	13,448,225
	Accrued expenses	20.4	7,080,128	5,698,582
	Provision for leave encashment		2,129,858	3,993,278
	Commission payable	20.5	2,214,705	2,471,983
	Sales tax payable		-	81,176
	Other payables		10,420,831	10,875,230
			369,808,246	486,758,433

20.1 This includes an amount due to key management personnel of Rs. 0.441 million (2017: Rs. 6.139 million).

20.2 This includes profit payable to a related party of Rs. 0.002 million.

20.3 This represents sharing of common expenses under Group Shared Services (GSS) agreement.

20.4 This includes insurance expense payable to a related party of Rs. 0.76 million (2017: 0.9 million).

20.5 This includes commission withheld payable to key management personnel of Rs. 0.18 million (2017: 1 million).

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21 CONTINGENCIES AND COMMITMENTS

21.1 During financial year 2013, audit proceedings under section 177 of the Income Tax Ordinance, 2001 in relation to the Tax Year 2010 were concluded by the Deputy Commissioner Inland Revenue (DCIR) which led to an eventual tax demand of Rs. 6.672 million. The Company had filed an appeal with the Commissioner Inland Revenue (Appeals) against the said demand which was heard by the Commissioner. During the year ended June 30, 2014, Commissioner passed an order under which the Company had been allowed certain expenses which were disallowed by DCIR in earlier assessment. DCIR has filed an appeal in Appellate Tribunal Inland Revenue (ATIR) against the said order. The Management also filed second appeal before Appellate Tribunal Inland Revenue. During the year ended June 30, 2017, the ATIR in their Order dated May 31, 2017 has remanded back the matter to the DCIR, with the direction to ascertain the true facts of transactions involved and after due verification allow the exemption clause of part - 1 of the second schedule to the Income Tax Ordinance, 2001 whereas ATIR rejected the appeal of the tax department and upheld the findings of CIR(A) whereby relief was allowed to the Company. The Company has submitted an application to the Deputy Commissioner Inland Revenue to give the appeal effect at the earliest.

21.2 During the financial year ended June 30, 2012, a brokerage house filed a lawsuit against the Company in the High Court of Sindh for recovery of Rs. 18.433 million together with mark-up on debit balances outstanding in its books and records on account of various transactions. Initially, the Company had filed a counter affidavit against the application filed by the Complainant to seek an interim order. During the financial year ended June 30, 2013, the Company filed a written Statement in this lawsuit, while the Plaintiff has filed a rejoinder to the counter affidavit filed by the Company. The Company has also filed a lawsuit against the same brokerage house and an ex-official of the Company in the High Court of Sindh to recover the outstanding balance appearing in the Company's books of account before provision. The court has issued notices to the defendants. The lawsuits are pending litigations and both the management and legal counsel are of the view that there is a reasonable probability of Company's success in both lawsuits.

21.3 During the financial year ended June 30, 2010, one of the customers of the Company filed a lawsuit against the Company before the High Court of Sindh for the recovery of Rs. 3.5 million along with damages of Rs. 100 million. The said lawsuit is counterblast to Company's suit for recovery of Rs. 0.97 million along with liquidated damages at the rate of 24%, filed during the financial year ended June 30, 2010 before the Senior Civil Judge Karachi, South, which was subsequently transferred to the Honourable High Court of Sindh at Karachi, on Company's civil transfer application, moved under section 24 read with section 151 of Civil Procedure Code. The lawsuits are pending litigations and both the management and legal counsel are of the view that there is a reasonable probability of Company's success in both lawsuits.

21.4 During the financial year ended June 30, 2010, one of the customers of the Company had filed a lawsuit against the Company in the Court of Senior Civil Judge Karachi, South for the recovery of Rs. 12.6 million along with mark-up thereon. The said lawsuit is counterblast to Company's suit for recovery of money, declaration and permanent injunction for recovery of Rs. 3.3 million along with liquidated damages at the rate of 24%, filed during the financial year ended June 30, 2009 before the Honourable High Court of Sindh. The lawsuits are pending litigations and both the management and legal counsel are of the view that there is a reasonable probability of Company's success in both lawsuits.

21.5 During the year ended June 30, 2009, a brokerage house filed suit before the Honourable Civil Judge, Lahore for declaration and permanent injunction against the Company. The brokerage house filed a contempt petition and a petition under section 33 of the Arbitration Act against the Company before the Honourable Civil Judge, Lahore. Furthermore the brokerage house also filed a civil revision before the Honourable Lahore High Court, Lahore Bench against order passed by the learned Civil Judge wherein the learned Civil Judge was pleased to dismiss the temporary injunction granted to the brokerage house, the said order was also affirmed in appeal. Further, the Company has filed a suit for recovery for Rs. 53.062 million along with liquidated damages and a petition before National Accountability Bureau (NAB) against the brokerage house. Both the management and legal counsel are of the view that there is a reasonable probability of Company's success in the lawsuit.

21.6 There are no material commitments as at December 31, 2018 and December 31, 2017.

	Note	Year ended December 31, 2018	Six months ended December 31, 2017
22 OPERATING REVENUE		---------- Rupees ----------	
Brokerage from equity operations	22.1	83,457,111	41,745,552
Brokerage from commodity operations		5,041,285	2,551,400
		88,498,396	44,296,952

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		Note	Year ended December 31, 2018	Six months ended December 31, 2017
			---------------- Rupees --------------	
22.1	**Brokerage from equity operations**			
	Retail		60,573,784	30,649,235
	Institution		22,883,327	11,096,317
			83,457,111	41,745,552
23	**OTHER OPERATING REVENUE**			
	Profit on savings accounts	23.1	10,017,462	5,197,950
	Income on exposure deposit with NCCPL / Pakistan Stock Exchange Limited		8,476,327	3,625,933
	Income on deposit with Pakistan Mercantile Exchange Limited		19,555	38,240
	Dividend income		83,312	320,591
	CDC conversion charges and commission		2,066,799	1,671,319
	Income from MTS exposure		8,315	-
	Income on loan to Parent Company		1,629,777	2,911,889
			22,301,547	13,765,922
23.1	**Profit on savings accounts**			
	Gross profit (including profit on unutilsed funds of client)		13,045,777	6,896,908
	Profit on unutilised funds of clients		(3,028,315)	(1,698,958)
	Net profit		10,017,462	5,197,950
24	**ADMINISTRATIVE AND OPERATING EXPENSES**			
	Salaries, allowances and other benefits	24.1	70,128,249	32,554,799
	Staff training		141,334	109,958
	Commission expense		2,686,383	1,343,524
	Insurance		2,046,634	1,051,928
	Repairs and maintenance		1,180,917	372,717
	Auditors' remuneration	24.2	3,723,416	1,908,000
	Rent and rates		7,719,502	4,205,008
	Legal and professional charges		6,958,858	3,695,025
	Printing and stationery		1,260,185	445,816
	Postage and telephone		3,319,534	1,654,558
	Travelling and conveyance		964,968	496,798
	IT related expenses		8,048,336	3,244,185
	Utilities		2,400,188	1,366,168
	Fees and subscription including stock exchange, clearing house and CDC charges		11,516,349	7,570,292
	Marketing		319,645	228,868
	Entertainment		1,929,255	1,282,557
	Depreciation	5	6,226,718	2,928,166
	Amortisation	6	123,392	65,083
	Others		2,746,081	1,167,971
			133,439,944	65,691,421

24.1 Certain common expenses (including salaries, allowances and other benefits, staff training, rentals, utilities, repair and maintenance and IT related expenses) are charged to the Company, which are shown under respective administrative and operating expenses accounts, in accordance with the Group Shared Services (GSS) Cost Allocation Review Memorandum, between the Company and the Parent Company.

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		Note	Year ended December 31, 2018	Six months ended December 31, 2017
			------------- Rupees -------------	
24.2	**Auditors' remuneration**			
	Audit fee		500,000	500,000
	Special certifications and sundry services		2,614,375	1,228,000
	Taxation services		393,667	-
	Out of pocket expenses		215,374	180,000
			3,723,416	1,908,000
25	**OTHER INCOME**			
	Gain on disposal of property and equipment		-	103,714
	Profit on retained shares (note 7.1)		228,895	-
	Others		49,996	80,595
			278,891	184,309
26	**OTHER EXPENSE**			
	Loss on disposal of property and equipment		184,400	-
	Penalty expense	26.1	150,000	-
			334,400	-

26.1 This amount represents penalty imposed by Pakistan Stock Exchange (PSX) vide its Enforcement Order dated July 13, 2018 in respect of non-compliances of various clauses of PSX Rulebook and discrepancies in UIN Report and Back Office Report.

		Year ended December 31, 2018	Six months ended December 31, 2017
27	**NUMBER OF EMPLOYEES**		
	Number of employees at the end of the year / period	59	61
	Average number of employees during the year / period	65	63

		Note	Year ended December 31, 2018	Six months ended December 31, 2017
			------------- Rupees -------------	
28	**TAXATION**			
	Current - for the year / period		(1,397,635)	(7,914,047)
	Prior		-	(1,652,039)
	Deferred		(4,368,154)	(14,009,901)
		28.1	(5,765,789)	(23,575,987)

28.1 Relationship between tax expense and accounting (loss) / profit

This represents charge of minimum tax u/s 113 of Income Tax Ordinance, 2001 and on certain incomes chargeable under Final Tax Regime (FTR). Therefore, a numerical tax reconciliation between tax expense and accounting loss has not been given.

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		Note	Year ended December 31, 2018	Six months ended December 31, 2017
29	**(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED**			
	Loss for the year / period (Rupees)		(29,454,886)	(28,921,283)
	Weighted average number of ordinary shares outstanding		52,000,000	52,000,000
	Loss per share (Rupees)	29.1	(0.57)	(0.56)

29.1 There were no convertible dilutive potential ordinary shares in issue as at December 31, 2018 and December 31, 2017.

30 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	2018			2017		
	Chief Executive Officer *	Director	Other Executives	Chief Executive Officer	Director	Other Executives
	Rupees					
Managerial remuneration	6,996,362	3,325,024	5,652,079	-	1,464,516	3,601,936
Reimbursements / other allow ances	2,357,629	344,217	1,419,980	-	69,017	744,215
Housing	3,148,362	1,496,266	2,543,441	-	659,034	1,620,874
Utilities	699,638	332,501	565,213	-	146,450	360,189
Commission	-	88,984	13,500	-	82,770	49,410
	13,201,991	5,586,992	10,194,213	-	2,421,787	6,376,624
Number of persons	1	2	4	1	1	4

* Mr. Adi J. Cawasji resigned from the office of the Chief Executive Officer (CEO) on February 13, 2018 and Mr. Raza Hussain Rizvi was appointed as Chief Executive Officer of the Company with effect from February 13, 2018. Ex - CEO was not drawing any remuneration from the Company. A portion of the remuneration of the current CEO is charged to Parent Company under group shared services agreement. During the year an amount of Rs 3.301 million was charged to the Parent Company in this respect.

30.1 The Executive Director and certain Executives of the Company are provided with free use of Company owned and maintained vehicles.

31 RELATED PARTY TRANSACTIONS

The Company has related party relationships with its Parent Company, associated undertakings, directors and key management personnel.

The Company in the normal course of business carries out transactions with various related parties at agreed / commercial terms and conditions. Amounts due to / from and other significant transactions, other than those disclosed else where in these financial statements, are as follows:

	2018			2017		
	Parent company	Key management personnel	Other related parties and associates	Parent company	Key management personnel	Other related parties and associates
Nature of transactions	Rupees					
Purchase of marketable securities for and on behalf of	32,753	263,469,643	2,509,445,472	-	245,762,590	769,811,718

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Nature of transactions	2018 Parent company	2018 Key management personnel	2018 Other related parties and associates	2017 Parent company	2017 Key management personnel	2017 Other related parties and associates
	Rupees					
Sale of marketable securities for and on behalf of	32,753	258,039,462	183,973,213	-	247,564,383	18,866,682
Brokerage income earned	5	331,323	2,956,905	-	298,477	970,984
Insurance expense paid to	-	-	2,046,634	-	-	1,021,928
Insurance claim received	-	-	45,000	-	-	-
Mark-up earned on loan	1,629,777	-	-	2,911,889	-	-
Mark-up received on loan	16,870,047	-	-	-	-	-
Receipt of loan	69,859,738	-	-	-	-	-
Repayment of advance against preference shares	-	-	100,000,000	-	-	-
Advisory / consultancy income from	-	-	1,584,000	-	-	792,000
Disposal of fixed assets - at cost	53,000	-	99,000	-	1,875,000	-
Sale proceeds from disposals of fixed assets	13,000	-	-	-	501,113	-
GSS reimbursements from	6,882,223	-	3,430,987	-	-	2,731,790
GSS reimbursements to	3,891,564	-	9,845,071	-	-	13,050,081
Rent expense	247,200	-	4,982,155	-	-	1,784,980

Particulars relating to the remuneration of the Chief Executive Officer and Directors who are key management personnel are disclosed in note 30 to these financial statements

31.1 Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place:

S. No.	Name of related party	Basis of association / relationship	Aggregate % of shareholding
1	IGI Holdings Limited	Parent Company	100%
2	IGI General Insurance Limited	Associate	N/A
3	IGI Life Insurance Limited	Associate	N/A
4	IGI Investments (Pvt.) Limited	Associate	N/A
5	Perwin Babar Ali	Other related party	N/A
6	Syed Babar Ali	Other related party	N/A
7	Syed Hyder Ali	Other related party	N/A
8	Syeda Henna Babar Ali	Other related party	N/A

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32 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

32.1 Financial instruments by category

	2018			
	At fair value through profit or loss - held for trading	Loans and receivables	Available for sale	Total
FINANCIAL ASSETS	Rupees			
Non-current assets				
Investments - available for sale	-	-	21,752,072	21,752,072
Long term deposits	-	17,354,664	-	17,354,664
	-	17,354,664	21,752,072	39,106,736
Current assets				
Trade receivables - net	-	58,409,479	-	58,409,479
Loans and advances	-	1,206,403	-	1,206,403
Deposits	-	158,037,290	-	158,037,290
Accrued mark-up - net	-	5,733,169	-	5,733,169
Other receivables	-	1,842,350	-	1,842,350
Cash and bank balances	-	213,136,036	-	213,136,036
	-	438,364,727	-	438,364,727
	-	455,719,391	21,752,072	477,471,463

	2018		
	Financial liabilities at amortised cost	At fair value through profit or loss	Total
FINANCIAL LIABILITIES	Rupees		
Trade and other payables	362,952,891	-	362,952,891

	2017			
	At fair value through profit or loss - held for trading	Loans and receivables	Available for sale	Total
FINANCIAL ASSETS	Rupees			
Non-current assets				
Investments - available for sale	-	-	35,906,547	35,906,547
Long term deposits	-	6,954,664	-	6,954,664
	-	6,954,664	35,906,547	42,861,211
Current assets				
Trade receivables - net	-	91,777,851	-	91,777,851
Loan to Parent Company		69,859,738		69,859,738
Loans and advances	-	2,500,788	-	2,500,788
Deposits	-	236,540,215	-	236,540,215
Accrued mark-up - net	-	22,268,226	-	22,268,226
Other receivables	-	5,816,319	-	5,816,319
Cash and bank balances	-	272,533,136	-	272,533,136
	-	701,296,273	-	701,296,273
	-	708,250,937	35,906,547	744,157,484

	2017		
	Financial liabilities at amortised cost	At fair value through profit or loss	Total
FINANCIAL LIABILITIES	Rupees		
Trade and other payables	479,065,191	-	479,065,191

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32.2 Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

32.3 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, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfil their obligations.

Exposure to credit risk

Credit risk of the Company arises principally from the loan, long-term deposits, trade debts, loans and advances, trade deposits, accrued mark-up, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their worth and margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies and investment and operational guidelines approved by the Board of Directors. Except for provision made against the trade debts amounting to Rs. 586.493 million (refer note 10.2), provision against accrued mark-up amounting to Rs. 82.388 million (refer note 14) and provision against other receivables amounting to Rs. 39.804 million (refer note 15.4), the Company does not expect to incur material credit losses on its financial assets. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2018	2017
	------------ Rupees ------------	
Long term deposits	17,354,664	6,954,664
Trade receivables - net	58,409,479	91,777,851
Loans and advances	1,206,403	2,500,788
Loan to Parent Company	-	69,859,738
Deposits	158,037,290	236,540,215
Accrued mark-up - net	5,733,169	22,268,226
Other receivables	1,842,350	5,816,319
Cash and bank balances	213,136,036	272,515,756
	455,719,391	708,233,557

32.3.1 The aging for trade debts, accrued mark-up and other receivables at the reporting date is as follows:

	2018			2017		
	Gross	Provision	Net	Gross	Provision	Net
	------------ Rupees ------------					
Past due 1-30 days	41,140,633	(3,096)	41,137,537	76,015,747	(16,109)	75,999,638
Past due 31 days -60 days	1,836,914	(19,032)	1,817,882	2,339,298	(657)	2,338,641
Past due 61 days -90 days	947,770	(165)	947,605	1,858,099	(25,829)	1,832,270
More than 90 days	730,745,768	(708,663,794)	22,081,974	747,930,823	(708,238,976)	39,691,847
	774,671,085	(708,686,087)	65,984,998	828,143,967	(708,281,571)	119,862,396

The provisions in respect of above debts have been made on debt amount exceeding the custody of equity securities held by the Company.

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32.3.2 Bank Balances

The analysis below summarises the credit quality of the Company's bank balances

	2018	2017
	----- Rupees -----	
AAA	195,926,132	264,293,627
AA+	17,157,695	2,792,518
AA-	-	70,285
A-	-	5,359,326
BBB-	52,209	-
	213,136,036	272,515,756

32.3.3 Concentration of credit risk

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

Details of the industrial sector analysis of the trade debts are as follows:

	2018		2017	
	Rupees	Percentage	Rupees	Percentage
Services (including insurance)	25,677,113	43.96%	30,688,578	33.44%
Banking, capital market and financial institutions	3,649,153	6.25%	37,014,891	40.33%
Individuals	29,083,213	49.79%	24,074,382	26.23%
	58,409,479	100%	91,777,851	100%

32.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to the dynamic nature of the business. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

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

	2018				
	Carrying amount	Contractual cash flows	Upto three months	More than three months and upto one year	More than one year
Financial liabilities	Rupees				
Trade and other payables	362,952,891	362,952,891	362,952,891	-	-

	2017				
	Carrying amount	Contractual cash flows	Upto three months	More than three months and upto one year	More than one year
Financial liabilities	Rupees				
Trade and other payables	479,065,191	479,065,191	479,065,191	-	-

On the reporting date, the Company has cash and bank balances of Rs 213.136 million (2017: Rs.272.533 million) as mentioned in note 16 to these financial statements.

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32.5 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument. The management manages market risk by monitoring exposure on marketable securities by following the internal risk management and investment policies and guidelines.

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

32.5.1 Currency risk

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

32.5.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate exposure arises from Long-term loan and bank balances in savings account.

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

	2018	2017	2018	2017
	Effective interest rate		Carrying amount	
	------------- Percentage -------------		------------- Rupees -------------	
Financial assets				
Loan to Parent Company	-	1 m KIBOR + 200 bps	-	69,859,738
Exposure deposit with National Clearing Company of Pakistan Limited / Pakistan Stock Exchange Limited	3.5 to 6.5	4 to 5	155,648,177	233,491,452
Bank balance in savings account	3.7 to 6.5	3.7 to 5	192,127,126	257,692,257
Total			347,775,303	561,043,447

The management of the Company estimates that a 1% increase in the market interest rate, with all factors remaining constant, would decrease the Company's loss before tax by Rs. 0.057 million (2017: Rs. 0.222 million) and a 1% decrease would result in increase in the Company's loss before tax by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

32.5.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

The Company is exposed to price risks because of investments held by the Company in shares of Pakistan Stock Exchange. In case of 1% increase / decrease in the market price of the shares held, the profit or loss and other comprehensive loss of the Company would be higher / lower by approximately Rs. 0.218 million (2017: Rs. 0.359 million).

32.6 Operational risk

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

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

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

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

32.7 Fair value of financial instruments

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Company to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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).

As at December 31, 2018, the Company held the following financial instruments measured at fair value:

	2018		
	Level 1	Level 2	Level 3
	Rupees in '000		
Assets carried at fair value			
Available-for-sale investments	21,752,072	-	-

	2017		
	Level 1	Level 2	Level 3
	Rupees in '000		
Assets carried at fair value			
Available-for-sale investments	35,906,547	-	-

32.8 CAPITAL RISK MANAGEMENT

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital. Net capital requirements of the Company are set and regulated by the Pakistan Stock Exchange. These requirements are put into place to ensure sufficient solvency margins and are based on excess of current assets over liabilities.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company finances its operations through equity including advance against preference shares, borrowing and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

33 FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISKS

a) The Company purchases and sells securities as either principal or agents on behalf of its customers. If either the customer or a counterparty fails to perform, the Company may be required to discharge the obligation on behalf of the non-performing party. In such circumstances, the Company may sustain losses if the market value of the security is different from the contracted value of the transaction less any margin deposits that the Company has on hand. Where the customer operates through institutional delivery system, the Company is not exposed to this risk.

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The majority of the Company's transactions, and consequently, the concentration of its credit exposure are with the customers and other financial institutions. The Company seeks to control its credit risk through a variety of reporting and controls procedures, including establishing credit limits based upon a review of the counterparties' financial condition. The Company monitors collateral levels on a regular basis and requests changes in collateral level as appropriate or if considered necessary.

b) The Company enters into security transactions on behalf of its customers involving future settlement. The Company has entered into transactions that gives rise to future settlement, the unsettled amount as on December 31, 2018 of these future transactions is Rs. 0.606 milion (2017: Rs. 0.609 million). Transactions involving future settlement give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular financial instrument. The credit risk for these transactions is limited to the unrealised market valuation losses which have been recorded in the statement of accounts of the customers. As explained above, credit risk is controlled through a variety of reporting and controls procedures.

34 GENERAL

34.1 Date of authorisation

These financial statements were authorised for issue on ________________ by the Board of Directors of the Company.

34.2 Figures have been rounded off to the nearest rupee.

34.3 Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purpose of better presentation. There were no material reclassifications during the year.

CHIEF EXECUTIVE OFFICER

DIRECTOR