

**KOSMOPOLITAN SECURITIES
(PRIVATE) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

KOSMOPOLITAN SECURITIES
(PRIVATE) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

**KRESTON**HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS**To the members of Kosmopolitan Securities (Private) Limited
Report on the Audit of the Financial Statements****Opinion**

We have audited the annexed financial statements of **Kosmopolitan Securities (Private) Limited**, ("the Company") which comprise the statement of financial position as at June 30, 2019, and 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 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 June 30, 2019 and of the loss, 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 for Director's 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. W



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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 Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of directors is 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.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss 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) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Mohammad Hanif Razzak.


Chartered Accountants

Karachi:

Dated: 03 OCT 2019

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KOSMOPOLITAN SECURITIES (PVT.) LTD

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

	NOTE No.	30-Jun-19 Rupees	30-Jun-18 Rupees
<u>CAPITAL & LIABILITIES</u>			
<u>AUTHORISED CAPITAL</u>			
1,500,000 Ordinary Shares of Rs. 100 each.		<u>150,000,000</u>	<u>150,000,000</u>
<u>ISSUED, SUBSCRIBED & PAIDUP CAPITAL</u>			
760,000 Ordinary Shares of Rs. 100 each allotted for consideration paid in Cash	4	<u>76,000,000</u>	<u>76,000,000</u>
Un-appropriated Profit		<u>14,198,847</u>	<u>27,346,341</u>
		<u>90,198,847</u>	<u>103,346,341</u>
<u>TRADE AND OTHER PAYABLES</u>			
Accrued expenses		<u>81,759</u>	<u>78,159</u>
		<u>81,759</u>	<u>78,159</u>
Contingencies & Commitment	5	<u>-</u>	<u>-</u>
		<u>90,280,606</u>	<u>103,424,500</u>
<u>ASSETS</u>			
<u>NON-CURRENT ASSETS</u>			
Intangible Asset	6	<u>200,000</u>	<u>200,000</u>
Long Term Investments	7	<u>5,209,594</u>	<u>7,914,576</u>
Long Term deposits	8	<u>1,509,000</u>	<u>509,000</u>
		<u>6,918,594</u>	<u>8,623,576</u>
<u>CURRENT ASSETS</u>			
Loan & Advances	9	<u>-</u>	<u>4,488,268</u>
Short term investments	10	<u>19,528,915</u>	<u>29,668,866</u>
Cash & Bank Balances	11	<u>63,833,097</u>	<u>60,643,790</u>
		<u>83,362,012</u>	<u>94,800,924</u>
		<u>90,280,606</u>	<u>103,424,500</u>

The annexed notes 1 to 20 form an integral part of this financial statement


Chief Executive


Director

**KOSMOPOLITAN SECURITIES (PVT) LTD
STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019**

	30-Jun-19 Rupees	30-Jun-18 Rupees
<u>Income:</u>		
Dividend Income on PSX shares	-	475,738
PSX Bank Profit on Retention Money 10%	1,446	215,278
	<u>1,446</u>	<u>691,016</u>
<u>Expenses:</u>		
Fee & Subscription	(228,407)	(379,544)
Re-measurement loss on investment at fair value through profit or loss	(2,025,000)	(2,550,000)
Audit Fee & Certifications 12	(75,600)	(48,600)
	<u>(2,329,007)</u>	<u>(2,978,144)</u>
(Loss) before taxation	(2,327,561)	(2,287,128)
Provision for taxation		
Current	-	(135,944)
Prior year	-	2,390,440
	<u>-</u>	<u>2,254,496</u>
Net (Loss) after taxation	<u>(2,327,561)</u>	<u>(32,632)</u>
<u>Other Comprehensive income / (loss):</u>		
Re-measurement (loss) in Shares of PSX	(10,819,933)	(9,505,391)
Total Comprehensive (loss)	<u><u>(13,147,494)</u></u>	<u><u>(9,538,023)</u></u>
Earning per share - (Loss)	<u><u>(3.06)</u></u>	<u><u>(0.04)</u></u>

The annexed notes 1 to 20 form an integral part of this financial statement M



Chief Executive





Director

KOSMOPOLITAN SECURITIES (PVT) LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	Issued, Subscribed and Paid up Capital	Un-appropriated profit	Unrealized (loss) on remeasurement of available for sale investment	Sub-Total	Total
	-----Rupees-----				
Balance as at July 01, 2017	76,000,000	17,720,525	19,163,839	36,884,364	112,884,364
Total Comprehensive loss for the year	-	(32,632)	(9,505,391)	(9,538,023)	(9,538,023)
Balance as at June 30, 2018	<u>76,000,000</u>	<u>17,687,893</u>	<u>9,658,448</u>	<u>27,346,341</u>	<u>103,346,341</u>
Total Comprehensive loss for the year	-	(2,327,561)	(10,819,933)	(13,147,494)	(13,147,494)
Balance as at June 30, 2019	<u><u>76,000,000</u></u>	<u><u>15,360,332</u></u>	<u><u>(1,161,485)</u></u>	<u><u>14,198,847</u></u>	<u><u>90,198,847</u></u>

The annexed notes 1 to 20 form an integral part of this financial statement


Chief Executive


Director

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KOSMOPOLITAN SECURITIES (PVT.) LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	30-Jun-19 Rupees	30-Jun-18 Rupees
-----Rupees-----		
Cash flows From Operating activities		
(Loss) before taxation for the year	(2,327,561)	(2,287,128)
Adjustment for non-cash items:		
Re-measurement (Loss) in Shares of PSX	2,025,000	2,550,000
	2,025,000	2,550,000
	(302,561)	262,872
Changes in working capital		
(Increase) / Decrease in Current assets		
Receivable against Sale of Shares	-	15,492,177
Loans and advances	4,488,268	(4,488,268)
	4,488,268	11,003,909
Increase /(Decrease) in Current liabilities		
Accrued expenses	3,600	4,412
Net Changes in Working Capital	4,491,868	11,008,321
(Increase) / Decrease in long term deposits	(1,000,000)	10,992,000
Income taxes paid during the year	-	(286,638)
Cash flow from operations	(1,000,000)	10,705,362
Net Cash generated from operating activities	3,189,307	21,976,555
Cash flows From Investing Activities		
Purchase of investment	-	(8,475,000)
Sale Proceed from investment	-	-
Net Cash (used in)/generated from investing activities	-	(8,475,000)
Net Cash (used in)/generated from Financing Activities	-	-
Net (decrease)/increase in cash and cash equivalents	3,189,307	13,501,555
Cash and cash equivalent at beginning	60,643,790	47,142,235
Cash and cash equivalent at end	63,833,097	60,643,790

The annexed notes 1 to 20 form an integral part of this financial statement



Chief Executive



Director

KOSMOPOLITAN SECURITIES (PVT.) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1 The Company and its operation

The company was incorporated under the Companies Ordinance, 1984 on May 24, 2007 as a Private Limited Company. The principal activity of the company is to carry on the business of security brokerage and underwriting investment of portfolio management. However no business activity has been carried out during the year. Its registered office is situated at office no. 111, 1st Floor, International Trade Center, Plot # 10/2, SR-2, Serai Quarters, Grand Road Karachi. The Company is a TREC Holder of Pakistan Stock Exchange and SECP has issued brokerage license, however no brokerage activity has been carried out during the year.

1.1 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

Due to fall in market value of investment in shares of Pakistan Stock Exchange Limited shares during the year, the Company's investment has been decreased by Rs.12,844,933.

2 BASIS OF PREPARATION

2.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except otherwise specifically stated.

2.2 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 Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and Provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS for SMEs, the provisions of and directives issued under the Companies Act, 2017 have been followed."

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Company and rounded off to the nearest rupee.

2.4 Critical Accounting estimates and judgments:

The preparation of financial statements requires management to make judgments, estimates and assumption that have an effect on the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on the historical experience and various factors that are believe to be reasonable under the circumstances. The result of which the basis of making judgment about the carrying amount of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

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The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management that have significant effect on the financial statements and estimates with significant probability of material adjustment in future are disclosed hereunder:

- (a) Impairment of financial assets (note 3.4); and
- (b) Classification of Investments.
- (c) Income Taxation.

2.5 Basis of preparation

These financial statements have been prepared under the 'historical cost convention' except as has been specifically stated below in respective notes.

2.6 Functional and presentation currency

These financial statements have been prepared in Pak Rupees, which is the Company's functional currency. All financial information presented in Pak Rupees has been rounded to nearest rupee.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Intangible asset

a) Trading Right Entitlement Certificate (TREC)

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

3.2 Investments

Investments at fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term are classified as investments at fair value through profit or loss. These are recognized initially at cost being the fair value of the consideration given. Subsequently, these are re-measured at fair values representing prevailing market prices. Resulting gain or loss is recognized in the statement of profit or loss.

Investment at fair Value through Other Comprehensive Income

Other investments not covered in any of the above categories are initially recognized at fair value plus attributable transactions costs. Subsequent to initial recognition these are measured at fair value, with any resultant gain or loss being recognized in other comprehensive income. Gains or losses on fair value through other comprehensive income are recognized in other comprehensive income and are never reclassified to the statement of profit or loss.

3.3 Impairment of assets

All Company's assets are reviewed at each financial year end to determine whether there is objective evidence of impairment. If any such indication exists, the assets' recoverable amount is estimated and carrying amounts are adjusted accordingly. Impairment losses are recognised in the statement of profit or loss.

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3.4 Trade and other payables

Liabilities for trade and other amount payables are carried at cost which is the fair value of the consideration to be paid in future for good and services.

3.5 Provisions

A provision is recognized in the financial statements when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.6 Income Taxation

Liability for current income tax is accounted for in accordance with income tax law. The income tax on profit and loss account represents current provision after adjustment, if any, to the provision for tax made in previous years, including those arising from assessments and amendments in assessments during the year, for such years.

3.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents consist of cash in hand and balances with banks.

3.8 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

3.9 Offsetting of financial assets and liabilities

All financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if the Company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2019	2018			
760,000	760,000	Ordinary Shares of Rs. 100 each issued for	76,000,000	76,000,000
		consideration paid in cash		

Name of share holders	% of Holding	No of shares	
Mr. Muhammad Altaf Bilwani	55.13%	419,000	419,000
Mr. Saqib Haroon Bilwani	44.74%	340,000	340,000
Mr. Mustufa Bilwani	0.13%	1,000	1,000
	100%	760,000	760,000

5 CONTINGENCIES AND COMMITMENTS

There are no contingencies & commitment at the reporting date.

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30-Jun-19 Rupees	30-Jun-18 Rupees
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6 INTANGIBLE ASSET

Trading Right Entitlement Certificate (TREC)
Pakistan Stock Exchange Limited
Less: Impairment loss

	15,000,000	15,000,000
	(14,800,000)	(14,800,000)
6.1 & 7.1	<u>200,000</u>	<u>200,000</u>

6.1 In the preceding year, Pakistan Stock Exchange Limited has been demutualized and in terms whereof its members have been allowed in exchange of membership, "Trading Right Entitlement Certificate (TREC)" along with shareholding in Pakistan Stock Exchange Ltd. The Company has recorded the value of membership in the KSE at Rs.70 Million as Intangibles vide Pakistan Stock Exchange letter no: KSE/SECP-2013/1 who have indicated notional value whereof at Rs. 15 Million. The Company have however allocated the carrying value/cost to the TREC at Rs.15 Million and taken the balance to the value of Pakistan Stock Exchange Limited shares. Fair value of the TREC has been re-evaluated and impairment loss being difference of projected bid price of TREC at that time and recorded value has been provided for.

7 LONG TERM INVESTMENTS

At Fair value through other comprehensive income

400,738 (2018: 400,738) Shares of Rs. 10 each of

Pakistan Stock Exchange Limited - Cost

6.1 & 7.1 4,007,380 4,007,380

Re-measurement gain carried forward

Re-measurement (loss)

	3,907,196	6,283,572
	(2,704,982)	(2,376,376)
	<u>1,202,214</u>	<u>3,907,196</u>
	<u>5,209,594</u>	<u>7,914,576</u>

7.1 This represents the investment in ordinary shares of Pakistan Stock Exchange Limited (PSX) Face value of shares allotted by Pakistan Stock Exchange Limited in lieu of membership of the PSX works out at Rs.40.07 Million, while the recorded value of the membership card as Intangible asset was Rs. 70 Million, however the company have recorded the remaining balance of Rs.55 million in shares and classified as available for sale and will follow the re-measurement method upon initiation of active market for these shares. In accordance with the demutualization policy 60% of allotted shares 2,404,430 were kept in blocked account which has been released gradually and now stands at 1,081,194 Shares by CDC Pakistan.

8 LONG TERM DEPOSITS

Deposit with Pakistan Stock Exchange Ltd - Base margin

1,201,000 201,000

Deposit with NCCPL

208,000 208,000

Deposit with CDC Pakistan Ltd

100,000 100,000

1,509,000 509,000

9 LOAN AND ADVANCES

Advance for purchase of assets

- 4,488,268

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30-Jun-19	30-Jun-18
Rupees	Rupees

10 **SHORT TERM INVESTMENT**

At Fair value through profit or loss:

300,000 (2018: 300,000) Shares of Rs.10 Each of
Pakistan Stock Exchange Limited - Cost
Re-measurement gain / (loss)

8,475,000	8,475,000
(4,575,000)	(2,550,000)
3,900,000	5,925,000

At Fair value through other comprehensive income:

1,202,215 (2018: 1,202,215) Shares of Rs.10 Each of
Pakistan Stock Exchange Limited - Opening
Re-measurement loss

23,743,866	30,872,881
(8,114,951)	(7,129,015)
15,628,915	23,743,866
19,528,915	29,668,866

11 **CASH & BANK BALANCES**

- Cash-In-Hand
- Cash-At-Bank in Current Account - House account

473,766	490,958
63,359,331	60,152,832
63,833,097	60,643,790

12 **AUDITORS REMUNERATION**

Audit fee
Certificate fee
Sindh Sales tax on services

30,000	20,000
40,000	25,000
5,600	3,600
75,600	48,600

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13 FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets and Liabilities of the company, interest and non interest bearing along with their maturities are as follows:

2019						
Markup / Interest Bearing			Non Markup / Interest Bearing			Total
Maturity Upto One Year	Maturity after One Year	Sub Total	Maturity Upto One Year	Maturity after One Year	Sub Total	
FINANCIAL ASSETS						
Investments			19,528,915	5,209,594	24,738,509	24,738,509
Long Term deposits	-	-	-	1,509,000	1,509,000	1,509,000
Bank Balances	-	-	63,359,331	-	63,359,331	63,359,331
	-	-	82,888,246	6,718,594	89,606,840	89,606,840

FINANCIAL LIABILITIES

Trade and other payables	-	-	81,759	-	81,759	81,759
	-	-	81,759	-	81,759	81,759

2018						
Markup / Interest Bearing			Non Markup / Interest Bearing			Total
Maturity Upto One Year	Maturity after One Year	Sub Total	Maturity Upto One Year	Maturity after One Year	Sub Total	
FINANCIAL ASSETS						
Investments			29,668,866	7,914,576	37,583,442	37,583,442
Long Term deposits	-	-	-	509,000	509,000	509,000
Bank Balances	-	-	60,152,832	-	60,152,832	60,152,832
	-	-	89,821,698	8,423,576	98,245,274	98,245,274

FINANCIAL LIABILITIES

Trade and other payables	-	-	78,159	-	78,159	78,159
	-	-	78,159	-	78,159	78,159

The effective interest/markup rates for the financial assets and liabilities are mentioned in respective notes to the financial statements. While commission chargeable on off balance sheet items is chargeable as advised by the banks.

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14 FINANCIAL INSTRUMENTS

14.1 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company's activities expose it to a certain financial risks:

- Credit risk
- Liquidity risk
- Market risk (including currency risk, interest rate risk and other price risk)

The Company's overall risk management programs focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board) under policies approved by the board. The Board provides formal principles for overall risk management, as well as significant policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

The information about the company's exposure to each of the above risk, the company's objectives, policies and procedures for measuring and managing risk, and the company's management of capital, is as follows;

a) Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company manages credit risk interalia by limiting advances and credit to individual customers based on their credit worthiness, obtaining advance against exposure, obtaining collaterals where considered necessary and making appropriate provision for doubtful receivables.

Exposure to credit Risk

Company's credit risk is mainly attributable to Trade debts, balances with banks and financial institutions, and committed transactions. The maximum exposure of the company to credit risk is as follows:

	2019	2018
	Rupees	
Long Term deposits	1,509,000	509,000
Investments	24,738,509	37,583,442
Bank Balances	63,359,331	60,152,832
	<u>89,606,840</u>	<u>98,245,274</u>

Trade Deposits and Receivables

These are given to PSX/NCCPL which are prime regulator and enjoys sound creditability.

Bank balances

The company maintains balances with banks that have good and stable credit rating. Given these credit ratings, management does not expect that any counter party will fail to meet their obligations.

b) Liquidity risk

Liquidity risk represent the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. Contractual maturities of financial liabilities, including interest payments excluding the impact of netting arrangements, are shown in the Note 13.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The management forecasts liquidity risks on the basis of expected cash flow considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements.

c) Market Risk

Market risk is the risk that the fair value or future cash flows 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, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. Market risk comprises of three types of risks: Foreign Exchange / Currency risk, interest rate risk and other price risk.

Foreign Currency risk

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arise mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange. The Company is not exposed to any foreign currency risk.

Interest / Markup rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in the interest / mark-up rates. The exposure to interest rate risk is mainly arises in respect of variable markup / interest bearing long term and short borrowings from banks. The Company is not exposed to any markup/interest rate risk.

d) Other price risk

Price risk represents 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 or currency rate risk), whether those changes are caused by factors specified to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At reporting date if the share price of investment at fair value through profit or loss had strengthened/weakened by 10% with all other variables held constant, pre tax profit for the year would have been higher/lower by the amount shown below.

	2019	2018
	Rupees	
Effect on Other comprehensive income and investment	2,083,851	3,165,844
Effect on profit or loss account and investment	390,000	592,500
	<u>2,473,851</u>	<u>3,758,344</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets/liabilities of the Company.

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14.2 Fair value of Financial Assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value.

15 CAPITAL RISK MANAGEMENT

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company finance its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. In order to maintain or adjust capital structure, the company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt. Consistent with others in industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of shareholders.

16 REMUNERATION TO CHIEF EXECUTIVE AND DIRECTORS

Currently no remuneration is being provided by the Company to its Chief Executive, any Director and Company Secretary and key management personnel.

17 NO OF EMPLOYESS

As on reporting date

2019

2018

Nil

Nil

The Company has not formulated employees retirement benefit policy as no employee has been hired.

18 DISCLOSURES UNDER SECURITIES BROKER (LICENSING AND OPERATIONS) REGULATIONS, 2016

18.1 Investments

Value of shares held in CDC

24,738,509

37,583,442

Value of shares under pledge

2,600,000

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18.2 Turnover, Trade debts, Customer assets and Net Capital Balance

The Company has not yet commenced its operation, hence turnover, receivable from customers and customers assets are nil. Net Capital balance of the Company at the reporting date was Rs.70,621,775.

19 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue by the Board of Directors on

03 OCT 2019

20 GENERAL

20.1 Figures have been rounded off to the nearest rupee. *UN*

X T Sunil
Chief Executive

X [Signature]
Director