ARIF HABIB 1857 (PVT) Ltd

Directors Report

On behalf of the Board of Directors of Arlf Habib 1857 (Pvt.) Limited, I am pleased to present the Annual Report of the company for the year 2018-19 together with the audited financial statements of the year as per the accounting, regulatory and legal standards/requirements.

Nature of Business

Arif Habib 1857 (Pvt.) Ltd. is a Private limited Company incorporated on July 08, 2014. It is owned 100% by Arif Habib Limited. The company is engaged in providing equity brokerage services (including research).

Overall Economy

Economic conditions of the country continue to remain challenging as GDP growth plunged from a decade year high of 5.5% to 3.3%, while CAD (Current Account Deficit) remained high at US $ 13.5bn (4.8% of GDP) despite reduction of 32% YoY. Large scale manufacturing declined (-3.6% for FY19) for the first time during past ten years on the back of decline in production of food products, petroleum products, automobiles and iron and steel products. On the other hand, crops in agriculture sector also displayed negative growth of 4.4% dragging the overall growth downwards. Fiscal Deficit touched 8.9% of GDP, which was a 28-yr high due to lower revenues (-6.3% YoY) and higher expenditures (+11.4% YoY). A combination of low economic growth and higher twin deficit painted a bleak picture of the economy. To curtail aggregate demand in the economy the SBP increased its benchmark policy rate by 575bps during FY19. On the other hand, the Rupee depreciated by 19% against the US $ to mitigate the external imbalance. Meanwhile, Remittances played an important role to cushion the foreign exchange requirement of the country, registering a growth of 10% YoY to US $ 21.8bn, with UK and USA showing improvement in flows.

FY20 is expected to be a year of stabilization as GDP growth is expected to be around 2.5% while primary focus would be to reduce external imbalance. The Current Account Deficit is expected to decline by 48% YoY to US $7 billion on the back of improvement in exports and reduction in imports. However, as a consequence of Rupee depreciation, inflation is expected to remain in the range of 10% to 11% in FY20 against 7% during FY19.

To complement the government's efforts to reduce CA deficit, the SBP has adopted market determined exchange rate with an intention to accumulate foreign exchange reserves. In an event, whereby the supply of foreign exchange is lower than demand, it might lead to further depreciation of Rs. against US $. The government intends to privatize multiple SOEs to earn valuable foreign exchange as well reduce the losses for federal budget. Continuation of economic reforms is expected to support economic recovery.

ARIF HABIB 1857 (PVT.) LTD. KARACHI

Arif Habib Center, 23, M.T. Khan Road, Karachi, Pakistan - 74000
Ph: (92-21) 32460717-9 Fax: 32429653

Stock Market

KSE-100 Index plummeted by 19% YoY in FY19 to close at 33,902 points. The benchmark index KSE100 saw high point early in July 2018 at 43,636 points, and since then gradually came down due to a host of factors. The downturn in the market was witnessed on the back of i) Macroeconomic concerns (weak external account, depreciation of the currency, rising inflationary pressure leading to rise in interest rates severely hampering growth momentum), ii) Uncertainty over the IMF program followed by stringent conditions of the program such as ambitious revenue targets, iii) Rising tensions with India, iv) Dismal corporate results, and (v) rise in SBP policy rate from 6.5% at the start of fiscal to 12.25% till the end.

Trading volume at the bourse saw significant decline in FY19 and touched 39.3 million shares on May 10, 2019 which was lowest in past 5 years, last seen on July 9, 2014. Average daily traded value clocked at US $ 46.7 million, which is 37% lower as compared with US $ 74.2 million in FY18. Similarly, Average daily traded volume also dropped to 155 million shares as against 175 million SPLY (-11% YoY). Among matters that negatively affected leading indicators of the bourse, the main reasons that caused the most dent to investor sentiment proved to be a significant increase of 575bps in the SBP policy rate and adjustment of Rupee parity with US Dollar, which saw the parity moving from 109.9 to 136.2 (-24% YoY) during FY19, and the trend continued to worsen in the ongoing quarter maintaining an average of Rs. 158.2.

During FY19, Emerging market flows have largely been negative to the region and PSX proved no exception. Pakistan saw MSCI and FTSE rebalancing translating in to net foreign outflows, which continued with US $ 356 million in FY19 and US $ 289 million in FY18. During FY19, MSCI reviews saw exclusion of blue chip scrips from MSCI Emerging Market Index with the possibility of further attritions in FY20. Against selling from foreign portfolio investors, Insurance sector emerged as the major buyer with US $ 159 million in FY19, followed by Individuals and Corporates.

Sector-wise laggards include: i) Oil & Gas Exploration Companies (-1,153 points), ii) Commercial Banks (-1,077 points), iii) Cements (-1,051 points), iv) Oil & Gas Marketing Companies (-921 points) and v) Pharmaceuticals (-518 points). On the flip side, the sector that remained positive during the year were i) Tobacco (132 points), ii) Textile Weaving (4 points) and iii) Synthetic & Rayon (4 points).

Financial Performance

During the year under review, the Company posted loss after tax of PKR 5,866,486. The loss posted during the year mainly relates to the provision for impairment on TRE Certificate, expenses paid by the Company to Regulatory Authorities and amount spent to avail data connectivity for monthly filing purpose.

ARIF HABIB 1857 (PVT.) LTD. KARACHI

Arif Habib Center, 23, M.T. Khan Road, Karachi, Pakistan - 74000
Ph: (92-21) 32460717-9 Fax: 32429653

ARIF HABIB 1857 (PVT) Ltd

Board Meetings and Attendance

During the year under review, four meetings of the Board of Directors were held from July 01, 2018 to June 30, 2019. The attendance of the Board and Audit Committee members was as follows:

Name of Director	Board Meeting
Mr. Abdullah A. Rehman	4
Mr. Abdul Hameed	4

Future Prospects

The future prospects of your Company are thoroughly promising on account of the Management's efforts towards executing trades in prop account.

The Management is confident that the Company's investments will demonstrate lucrative results, as the economy and the market continues to offer rewarding investment opportunities.

Auditors

The retiring auditors M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants have offered themselves for reappointment. The Board recommends their reappointment. A resolution proposing the appointment of M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants as auditors of the company for the financial year 2019-20 will be submitted at the forthcoming Annual General Meeting for approval.

Acknowledgement

We are grateful to the Company's stockholders for their continuing confidence and patronage. We record our appreciation and thanks to our customers, stakeholders, parent company, the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and the managements of Pakistan Stock Exchange Limited for their continuing support and guidance without whose continued support and guidance, we would not be able to pursue our strategy. We acknowledge and appreciate the hard work put in by the employees of the Company during the period.

For and on behalf of the Board of Directors

ARIF HABIB 1857 (PVT.) LTD. KARACHI

Abdullah A. Rehman
Chief Executive Officer and Director

Date: September 10, 2019

Karachi.

Arif Habib Center, 23, M.T. Khan Road, Karachi, Pakistan - 74000
Ph: (92-21) 32460717-9 Fax: 32429653

AUDITED FINANCIAL STATEMENTS
OF
ARIF HABIB 1857 (PRIVATE) LIMITED
FOR THE YEAR ENDED
JUNE 30, 2019

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
KARACHI, LAHORE & ISLAMABAD

Russell Bedford

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.
Karachi-74400, PAKISTAN.
Tel. No. : (021) 34549345-9
E-Mail : info@rsrir.com
Website: www.rsrir.com
Other Offices at
Lahore - Rawalpindi / Islamabad

INDEPENDENT AUDITORS' REPORT

To the members of Arif Habib 1857 (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Arif Habib 1857 (Private) Limited** (the Company), which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss account, the statement of 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 ('the financial statements'), and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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 account, the statement of 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 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 / Institute of Cost and Management Accountants (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 in the annual report including, in particular, the Chairman's Review, Director's Report, Financial and Business Highlights, Graphical Representation and Horizontal and Vertical Analysis of Financial Statements, 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.

Cont'd... P/2

Russell Bedford

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.
Karachi-74400, PAKISTAN.
Tel. No. : (021) 34549345-9
E-Mail : info@rsrir.com
Website: www.rsrir.com
Other Offices at
Lahore - Rawalpindi / Islamabad

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 (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.

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 scepticism 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.

Cont'd... P/3

Russell Bedford

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.
Karachi-74400, PAKISTAN.
Tel. No. : (021) 34549345-9
E-Mail : info@rsrir.com
Website: www.rsrir.com
Other Offices at
Lahore - Rawalpindi / Islamabad

- 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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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

e) the Company was in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licencing and Operations) Regulations, 2016 as at the date on which the statement of financial position was prepared.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Muhammad Rafiq Dosani.

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Karachi

Date: 10 SEP 2019

ARIF HABIB 1857 (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019	2018
		Rupees	
NON - CURRENT ASSETS			
Intangible assets	5	**2,500,000**	9,500,000
Long term deposits	6	**16,507,500**	16,507,500
		19,007,500	26,007,500
CURRENT ASSETS			
Advance tax		**2,873**	2,873
Other receivable		**747**	44,744
Bank balances	7	**24,203,562**	22,737,456
		24,207,182	22,785,073
TOTAL ASSETS		**43,214,682**	48,792,573
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital	8	**100,000,000**	100,000,000
Issued, subscribed and paid-up capital	8	**50,000,000**	50,000,000
REVENUE RESERVE			
Unappropriated loss		**(7,193,913)**	(1,327,427)
		42,806,087	48,672,573
CURRENT LIABILITIES			
Taxation-net		**288,595**	-
Other liabilities	9	**120,000**	120,000
		408,595	120,000
TOTAL EQUITY AND LIABILITIES		**43,214,682**	48,792,573

The annexed notes from 1 to 18 form an integral part of these financial statements.

ARIF HABIB 1857 (PVT.) LTD. KARACHI

Chief Executive **Director**

ARIF HABIB 1857 (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		Rupees	
Operating revenue		8,465	2,982
Capital gain on sale of investments - net		4,629,345	-
		4,637,810	2,982
Administrative expenses	11	(7,968,690)	(357,826)
Profit on bank deposit		1,542,077	255,710
Loss before taxation		(1,788,803)	(99,134)
Taxation		(4,077,683)	(21,454)
Loss after taxation		(5,866,486)	(120,588)

The annexed notes from 1 to 18 form an integral part of these financial statements.

Chief Executive

ARIF HABIB 1857 (PVT.) LTD. KARACHI

Director

ARIF HABIB 1857 (PRIVATE) LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	Rupees	
Loss after taxation	**(5,866,486)**	(120,588)
Other comprehensive income	-	-
Total comprehensive loss for the year	**(5,866,486)**	(120,588)

The annexed notes from 1 to 18 form an integral part of these financial statements.

Chief Executive

ARIF HABIB 1857 (PVT.) LTD. KARACHI

Director

ARIF HABIB 1857 (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	subscribed & paid up capital	Revenue Reserve Accumulated Loss	Total
	Rupees		
Balance as at July 1, 2017	50,000,000	(1,206,839)	48,793,161
Total comprehensive loss for the year ended 30 June 2018	-	(120,588)	(120,588)
Balance as at June 30, 2018	50,000,000	(1,327,427)	48,672,573
Balance as at July 1, 2018	**50,000,000**	**(1,327,427)**	**48,672,573**
Total comprehensive loss for the year ended 30 June 2019	-	**(5,866,486)**	**(5,866,486)**
Balance as at June 30, 2019	**50,000,000**	**(7,193,913)**	**42,806,087**

The annexed notes from 1 to 18 form an integral part of these financial statements.

Chief Executive

ARIF HABIB 1857 (PVT.) LTD. KARACHI

Director

ARIF HABIB 1857 (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	**(1,788,803)**	(99,134)
Adjustment for:		
- Impairment loss on TREC	**7,000,000**	-
Cash generated from / (used in) operating activities before working capital changes	**5,211,197**	(99,134)
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
- Receivable from Arif Habib Limited	-	7,865,750
- Other receivable	43,997	(44,744)
Cash used in operating activities	5,255,194	7,721,872
- Income tax paid	**(3,789,088)**	(21,456)
Net cash generated from operating activities	1,466,106	7,700,416
Net increase in cash and cash equivalents	**1,466,106**	7,700,416
Cash and cash equivalent at the beginning	**22,737,456**	15,037,040
Cash and cash equivalent at the closing	**24,203,562**	22,737,456

The annexed notes from 1 to 18 form an integral part of these financial statements.

Chief Executive

Director

ARIF HABIB 1857 (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1 STATUS AND NATURE OF BUSINESS

Arif Habib 1857 (Private) Limited was incorporated on 17 July 2014 as a private limited company in Pakistan under the repealed Companies Ordinance, 1984 ('the Ordinance') which has now been replaced by Companies Act, 2017 ('the Act'). The company has purchased Trading Right Entitlement Certificate [TREC] from independent party The principal activities of the company are investments and share brokerage. The company is a wholly owned subsidiary company of Arif Habib Limited.

The registered office of the Company is located at Arif Habib Center, 23 M.T.Khan Road, Karachi.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention.

2.3 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 Pak Rupees which is the Company's functional and presentation currency, unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved financial reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is 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.

2.5 Amendments / interpretation to existing standard and forthcoming requirements

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company's financial statements.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.

ARIF HABIB 1867 (PVT.) LTD. KARACHI

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

Mn

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

Owned

These are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset including borrowing costs incurred on qualifying assets.

Where major components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Subsequent costs are included in the carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the year in which they are incurred.

Disposal of an item of property and equipment is recognised when significant risks and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating expenses/income' in the statement of profit or loss.

Depreciation is charged to statement of profit or loss account applying the reducing balance method. Depreciation is charged when the asset is available for use till the asset is disposed off.

3.2 Intangible assets

An intangible asset is recognised as an asset if it is probable that the economic benefits attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

Membership cards and offices

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

Computer software

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

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

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

Computer software and license costs are stated at cost less accumulated amortization and any identified impairment loss and amortized over a period of four years using the straight line method.

Amortization on additions is charged when the asset is available for use till the asset is disposed off.

3.3 Impairment of non-financial assets

Assets that are subject to depreciation/amortisation are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sale and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

3.4 Financial assets

a) *Initial Recognition*

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value, amortised cost or cost as the case may be.

b) i) *Classification of financial assets*

The Company classifies its financial instruments in the following categories:
- at fair value through profit and loss ("FVTPL"),
- at fair value through other comprehensive income ("FVTOCI"), or
- at amortised cost.

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flows characteristics.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

ii) *Classification of financial liabilities*

The Company classifies its financial liabilities in the following categories:

- at fair value through profit and loss ("FVTPL"), or
- at amortised cost.

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as 'instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

c) *Subsequent measurement*

i) *Financial assets at FVTOCI*

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognised in other comprehensive income / (loss).

ii) *Financial assets and liabilities at amortised cost*

Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost, and in the case of financial assets, less any impairment.

iii) *Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise. Where management has opted to recognise a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income / (loss). Currently, there are no financial liabilities designated at FVTPL.

M

ARIF HABIB 1957 (PVT.) LTD. ★ KARACHI

d) *Impairment of financial assets at amortised cost*

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost as more fully explained in note 5.

e) *Derecognition*

i) *Financial assets*

The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to statement of changes in equity.

ii) *Financial liabilities*

The Company derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss and other comprehensive income.

3.5 Offsetting financial instruments

Financial assets and liabilities are off-set and the net amount is reported in the statement of financial position if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.6 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Provision is made on the basis of lifetime ECLs that result from all possible default events over the expected life of the trade debts and other receivables. Bad debts are written off when considered irrecoverable.

3.7 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes balance with banks.

3.8 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

3.10 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.11 Taxation

The tax expense for the year comprises current and deferred tax. Tax expense is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in statement of other comprehensive income or directly in equity, respectively.

Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at reporting date, and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is recognised using balance sheet liability method, providing for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.12 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made of the amount of obligation. Provisions are reviewed at reporting date and adjusted to reflect current best estimate.

ARIF HABIB 1857 (PVT.) LTD. ★ KARACHI

3.13 Foreign currency transactions and translation

Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the reporting date. Transactions in foreign currencies are translated into functional currency using the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

3.14 Revenue recognition

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

- Brokerage, consultancy and advisory fee, commission etc. are recognised as and when such services are provided.

- Income from bank deposits is recognised at effective yield on time proportion 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.

- Unrealized capital 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 statement of profit or loss for the period in which they arise.

- Rental income from investment properties is recognised on accrual basis.

3.15 Borrowing costs

Borrowing costs are recognised as an expense in the year in which they are incurred except where such costs are directly attributable to the acquisition or construction of qualifying asset in which such costs are capitalized as part of the cost of that asset. Borrowing costs includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

4 CHANGES IN ACCOUNTING POLICY

The Company has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from contracts with customers' from July 01, 2018. Consequently, the following changes in accounting policies have taken place effective from July 01, 2018:

a) **IFRS 9 - Financial Instruments**

'IFRS 9 - Financial Instruments (IFRS 9) replaced the majority of requirement of IAS 39 - Financial Instruments. Recognition and Measurement (IAS 39) and covers the classification, measurement and de-recognition of financial assets and financial liabilities. It requires all fair value movements on equity investments to be recognised either in the profit or loss or in other comprehensive income, on a case-by-case basis, and also introduced a new impairment model for financial assets based on expected losses rather than incurred losses and provides a new hedge accounting model.

In respect of retrospective application of IFRS 9, the Company has adopted modified retrospective approach as, permitted by this standard, according to which the Company is not required to restate the prior year results. There is no material impact of adoption of IFRS 9 on opening equity of the Company.

The impact of the adoption of IFRS 9 has been in the following areas:

i) **Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements of IAS 39 for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, fair value through profit or loss (FVTPL), available for sale and held to maturity with the categories such as amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

There is no significant impact of IFRS 9 on the classification and measurement of financial assets for the year ended June 30, 2019 other than that loans and receivables are classified under the category of ammortized cost. Under IFRS 9, the classification of financial assets is based on the objective of the entity's business model that is the Company's objective is to hold assets only to collect cash flows, or to collect cash flows and to sell ("the Business Model test") and the contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding ("the SPPI test").

ii) **Hedge accounting**

IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

There is no impact of the said change on these financial statements as there is no hedge activity carried on by the Company during the year ended June 30, 2019.

iii) **Impairment of financial assets**

'IFRS 9 replaces the 'incurred loss' model of IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVTOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Under IFRS 9, loss allowances are measured on either of the following basis:

- 12 - months ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs: These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure provision against financial assets on the basis of lifetime ECLs.

Lifetime ECL is only recognised if the credit risk at the reporting date has increased significantly relative to the credit risk at initial recognition. Further, the Company considers the impact of forward looking information (such Company's internal factors and economic environment of the customers) on ECLs.

Measurement of ECLs

'ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity and the cash flows that the Company expects to receive).

Presentation of impairment

'Provision against financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the new impairment model

For assets within the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at July 01, 2018 does not have a material impact on provision for doubtful debts measured under IAS 39.

b) IFRS 15 - Revenue from contracts with customers

IFRS 15 - Revenue from contracts with customers (IFRS 15) replaced IAS 18 - Revenue, IAS 11 - Construction Contracts, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter Transactions involving Advertising Services. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services. However, the adoption of IFRS 15 does not have any impact on the reported revenue of the Company for the year ended June 30, 2019.

1857 (PVT.) LTD. KARACHI

5 INTANGIBLE ASSETS

	Note	2019	2018
		Rupees	
Trading Rights Entitlement (TRE) Certificate			
Cost		**9,500,000**	9,500,000
Impairment	5.1	**(7,000,000)**	-
		2,500,000	9,500,000

5.1 This represents TREC received by the Company in accordance with the Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012. These have been carried at cost less impairment.

6 LONG TERM DEPOSITS

This amount is paid to Pakistan Stock Exchange Limited as deposit for trading activities.

7 CASH AND BANK BALANCES

	2019	2018
	Rupees	
Cash at bank		
- current accounts	**2,429**	10,631,804
- savings accounts	**24,201,133**	12,105,651
	24,203,562	22,737,455

7.1 The return on these balances is 9% to 10.5% (2018: 4% to 5%) per annum on daily product basis.

8 AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2019	2018		2019	2018
----(Number of shares)----			Rupees	
		Authorized capital		
10,000,000	10,000,000	Ordinary shares of Rs. 10/- each	**100,000,000**	100,000,000
		Issued, Subscribed and Paid up Capital		
		Ordinary shares of Rs.10/- each		
5,000,000	5,000,000	For Cash	**50,000,000**	50,000,000
5,000,000	5,000,000		**50,000,000**	50,000,000

8.1 There is no agreement with shareholders for voting rights, board selection, rights of first refusal, and block voting.

9 OTHER LIABILITIES

	2019	2018
	Rupees	
Audit fee	**60,000**	60,000
Others	**60,000**	60,000
	120,000	120,000

10 CONTINGENCIES AND COMMITMENTS

No contingencies and commitments were known to exist at the reporting date (2018: Nil).

M

ARIF HABIB 1857 (PVT.) LTD. KARACHI

11	ADMINISTRATIVE EXPENSES	Note	2019	2018
			Rupees	
	Fees paid to PSX & SECP		**594,677**	86,628
	Impairment loss on TREC	*5.1*	**7,000,000**	-
	Internet Expense		**143,400**	109,330
	Auditor's remuneration	*11.1*	**72,000**	60,000
	CDC Fee		**56,519**	101,090
	Legal Advisor		**100,000**	-
	Bank charges		**2,094**	778
			7,968,690	357,826

11.1 Auditor's remuneration

	2019	2018
Annual audit fee	**60,000**	60,000
Taxation services	**12,000**	-
	72,000	60,000

12 TAXATION

	2019	2018
Current tax - for the year	**4,025,361**	21,454

12.1 Income tax assessments of the Company are deemed to be finalized as per tax returns file up to tax year 2018. Tax returns are subject to further assessment under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select a deemed assessment order for audit.

12.2 According to management, the tax provision made in these financial statements is sufficient. A comparison of last three years of income tax provision with tax assessed is presented below:

	Provision for taxation	**Tax assessed**
June 30, 2018	21,454	3,554
June 30, 2017	310	313
June 30, 2016	2,517	646

13 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party a exercise significant influence over other party in making financial and operating decisions.

The related parties comprise of major shareholders, associated companies with or without common directors, directors of the company and key management personnel, staff provident fund, and financial institution having nominee on the Board of Directors.

The Company has not executed any transaction with related parties.

ΛΛ

1857 (PVT.) LTD. ARIF HABIB KARACHI

14 FINANCIAL RISK MANAGEMENT

14.1 Financial Risk Factors

The Company is exposed to a variety of financial risks (including interest rate risk and other price risk), credit rate risk and liquidity risk. The Company's overall risk management programmed focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

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

a) Market Risk

i) Currency risk

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

ii) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Currently the Company is not exposed to price risk.

iii) Interest rate risk

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

Financial assets include balances of Rs. 24.2 million (2018: Rs.12.10 million) which are subject to interest / markup rate risk. Applicable interest / mark-up rates for financial assets have been indicated in respective notes.

At the reporting date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2019	2018	**2019**	2018
	Effective interest rate (%)		**Carrying amounts (Rs.)**	
Financial assets				
Bank deposits - *pls account*	**9% to 10.5%**	4% to 5%	**24,201,133**	12,105,651

Mr

b) **Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, possibility of default by investors, and or failure of the financial markets, depositors, settlements or clearing system etc.

Exposure to credit risk

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

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies, investment and operational guidelines approved by the Board of Directors.

	Carrying amount	
	2019	2018
	Rupees	
Long term deposits	**16,507,500**	16,507,500
Other receivable	**747**	44,744
Cash and bank balances	**24,203,562**	22,737,456
	40,711,809	39,289,700

Due to the company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company. Accordingly, the credit risk is minimal.

There are no any past due financial assets as at the reporting date.

c) **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

ARIF HABIB 1857 (PVT.) LTD. KARACHI

On the reporting date, the Company had cash and bank balance of Rs. 23.84 million (2018: Rs. 22.74 million).

The Company had no interest bearing liabilities outstanding at the reporting date.

14.2 Fair value estimate

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. Currently company does have any short term investments as at reporting date.

14.3 Financial instruments by category

As at June 30, 2019 ***Financial assets as per statement of financial position***	**Ammortized cost**
Long term deposits	16,507,500
Other receivable	747
Cash and bank balances	24,203,562
	40,711,809

As at June 30, 2019 ***Financial liabilities as per statement of financial position***	**Financial liabilities at amortized cost**
Accrued expenses	120,000

As at June 30, 2018 *Financial assets as per statement of financial position*	Ammortized cost
Long term deposits	16,507,500
Other receivable	44,744
Cash and bank balances	22,737,456
	39,289,700

As at June 30, 2018 *Financial liabilities as per statement of financial position*	Financial liabilities at amortized cost
Accrued expenses	120,000

15 CAPITAL ADEQUACY LEVEL AND CAPITAL RISK MANAGEMENT

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

Net capital requirements of the Company are set and regulated by Pakistan Stock Exchange Limited. These requirements are put in place to ensure sufficient solvency margins and are based on excess of current assets over current liabilities.

ARIF HABIB 1857 (PVT.) LTD. ★ KARACHI

The Capital adequacy level as required by CDC is calculated as follows;

	2019	2018
	Rupees	
Total assets	**43,214,682**	48,792,573
Less: Total liabilities	**(408,595)**	(120,000)
Less: Revaluation reserves (created upon *revaluation of fixed assets)*	**-**	-
Capital adequacy level	**42,806,087**	48,672,573

15.1 While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate as at year ended as determined by Pakistan Stock Exchange has been considered.

16 NUMBER OF EMPLOYEES

	2019	2018
Number of person	**Nil**	Nil

17 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on 10 SEP 2019.

18 GENERAL

Figures have been rounded off to the nearest rupee and corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison.

Chief Executive

ARIF HABIB 1857 (PVT.) LTD. ★ KARACHI

Director