

Akik Capital (Private) Limited

Directors Report for the Year Ended June 30, 2020

On behalf of the Board of Directors of Akik Capital (Private) Limited, I take pleasure in presenting to you my brief over-view of the Company for the Year ended June 30, 2020.

Akik Capital (Private) Limited ("the Company", "Akik") was incorporated on April 20, 2020 with the primary objective of undertaking Securities Broking business. The Company, Al-Hamdolillah, acquired a TRE Certificate from the Pakistan Stock Exchange Limited on June 16, 2020 and was Masha Allah, granted a License (to act as Securities Broker) by The Securities and Exchange Commission of Pakistan on July 16, 2020. On behalf of Akik's Board of Directors, I want to take this opportunity to thank The Securities and Exchange Commission of Pakistan and Pakistan Stock Exchange for their tremendous assistance and extremely valuable guidance in this entire process.

As of the date of this Director's Report, Akik has started writing business and Al-Hamdolillah has a well experienced team in place (some have officially joined, while a few will Insha Allah join over the next 2 weeks).

Period ended June 30, 2020 (effectively just over 2 months), saw Akik post a Profit after Tax of Rs2.6mn, all of which was a combination of realized and unrealized gains on its equity investment portfolio. Going forward, our plan is to focus on our core operations, while trying to optimize performance of our equity portfolio.

In the year ahead, Insha Allah, our aim is to build a client-base that comprises of Institutional Investors and High Net-Worth Individual Investors (primarily). Once scale is achieved on this front, Insha Allah, we will consider investing in an online-broking platform for retail investors.

Thank You

Muhammad Qasim Lakhani, C
Chief Executive

August 6, 2020



M. Lakhani.

**M/S. AKIK CAPITAL
(PRIVATE) LIMITED**

**FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
JUNE 30, 2020**

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Independent Auditors' Report
To the members of AKIK Capital (Private) Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements **AKIK Capital (Private) Limited**, ("the Company") which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss, the statement of changes in equity, the statement of cash flows for the period 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, 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, 2020 and of the profit, the changes in equity and its cash flows for the period 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.

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.
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CHARTERED ACCOUNTANTS

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of changes in equity and the statement of cash flows together with the notes 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 period 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: 06 AUG 2020



AKIK CAPITAL (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

		June-'2020
	Note	----(Rupees)----
<u>ASSETS</u>		
NON CURRENT ASSETS		
Property & equipment	4	559,461
Intangible asset	5	2,500,000
Long term deposits	6	200,000
		3,259,461
CURRENT ASSETS		
Short term investments	7	49,948,160
Cash and Bank Balance	8	698,101
		50,646,261
		<u>53,905,722</u>
<u>EQUITY AND LIABILITIES</u>		
SHARE CAPITAL AND RESERVES		
<u>AUTHORIZED CAPITAL</u>		
8,000,000 Ordinary Shares of Rs. 10 each		<u>80,000,000</u>
Issued, subscribed and paid up capital		
5,000,000 ordinary shares of Rs. 10 each allotted for consideration paid in cash	9	50,000,000
Un-appropriated profit		2,663,842
		52,663,842
NON- CURRENT LIABILITIES		
Deferred tax liability		694,670
CURRENT LIABILITIES		
Trade and other payables	10	513,988
Provision for Taxation		33,222
		547,210
Contingencies & Commitment	11	-
		<u>53,905,722</u>

The annexed notes 1 to 25 form an integral part of these financial statements.


Chief Executive


M. Lalchani.
Director

AKIK CAPITAL (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED JUNE 30, 2020

For the
period from
April 20, 2020
to June 30,

Note --- (Rupees)---

Net Investment Income

Net gain on disposal of short term investments	284,235
Unrealized gain on re-measurement of short term investments	4,631,136
	4,915,371

Expenses

Incorporation expenses charged off	(331,135)
Operating and administrative expenses	(1,189,284)
	(1,520,419)
	3,394,952

Finance cost - Bank charges	(3,218)
Profit before taxation	3,391,734

Provision for Taxation:

Current	(33,222)
Deferred	(694,670)
	(727,892)

Profit after taxation	2,663,842
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Other Comprehensive income :

Comprehensive income	-
Total comprehensive income	2,663,842

Earning Per Share -Basic & Diluted	0.53
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The annexed notes 1 to 25 form an integral part of these financial statements.


Chief Executive


M. Lakhani.
Director

AKIK CAPITAL (PRIVATE) LIMITED
STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED JUNE 30, 2020

		For the period from April 20, 2020 to June 30, 2020
	Note	---(Rupees)---
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		3,391,734
Adjustments for non-cash changes and other items:		
Depreciation	8	15,726
Unrealized gain on re-measurement of investments		(4,631,136)
		<u>(1,223,676)</u>
Working capital changes		
Current assets		-
Current liabilities		
Trade and other payables		513,988
Cash generated from operations		<u>(709,688)</u>
Long term deposits		(200,000)
Net cash generated from operating activities		<u>(909,688)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition in property & equipment	8	(575,187)
Addition in intangible assets (TREC - PSX)		(2,500,000)
Short term investments		(45,317,024)
Net cash (used in) investing activities		<u>(48,392,211)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued during the period		50,000,000
Net cash generated from financing activities		<u>50,000,000</u>
Net (decrease) / increase in cash and cash equivalents		<u>698,101</u>
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	14	<u><u>698,101</u></u>

The annexed notes 1 to 25 form an integral part of these financial statements. 


Chief Executive


Director

AKIK CAPITAL (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2020

	Issued, subscribed and paid up capital	Unappropriated Profit	Total
	-----Rupees.-----		
Balance as on July 01, 2019	-	-	-
Shares issued during the year	50,000,000	-	50,000,000
Profit after taxation for the period ended June 30, 2020	-	2,663,842	2,663,842
Other Comprehensive income	-	-	-
	-	2,663,842	2,663,842
Balance as at June 30, 2020	<u>50,000,000</u>	<u>2,663,842</u>	<u>52,663,842</u>

The annexed notes 1 to 25 form an integral part of these financial statements. CH


Chief Executive


M. Lakhani.
Director

AKIK CAPITAL (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2020

1 The Company and its operation

The company was incorporated under the Companies Act, 2017 on April 20, 2020 as a Private Limited Company. The principal activity of the company is to carry on business as a Securities Broker. The company was granted License as Securities Broker by SECP on July 9, 2020. Its registered office is situated at Office no 11, Mezzanine Floor, Quality Arcade, Block 7, Clifton Karachi.

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 Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and Provisions of 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.

2.3 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.

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.

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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.

2.7 New amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2020

There were certain new amendments to the approved accounting standards and a new interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations, therefore, not disclosed in these financial statements.


2.8 New accounting standards and IFRS interpretations that are not yet effective

There are certain amendments to the approved accounting standards and a new interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) which will be effective after July 1, 2020 but are considered not to be relevant or are expected to have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and capital work-in-progress which are stated at cost. Depreciation is charged on reducing balance method at rates specified in the respective note. Depreciation on addition is charged from the month of the asset is available for use upto the month prior to disposal. Gains and losses on disposal of property, plant & equipment are included in current year's income. Maintenance and normal repairs, including minor alterations and charged to income as and when incurred. Renewals and improvements are capitalized and the assets so replaced, if any are retired.



3.2 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.

3.3 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 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.

3.4 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.

3.5 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 goods and services.

3.6 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.



3.7 Income Taxation

Liability for current income tax is accounted for in accordance with income tax law. The income tax on statement of profit or loss 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.

3.8 Cash and cash equivalents


Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents consist of cash in hand and balances with banks.

3.9 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.

3.10 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 PROPERTY & EQUIPMENT

Particulars	Office equipment	Computer	Total
Net carrying value basis as at June 30, 2020			
Opening net book value	-	-	-
Addition (at Cost)	36,700	538,487	575,187
Depreciation Charge	(918)	(14,808)	(15,726)
Closing Net Book Value	<u>35,783</u>	<u>523,679</u>	<u>559,461</u>
Gross carrying value basis as at June 30, 2020			
Cost	36,700	538,487	575,187
Less : Accumulated Depreciation	(918)	(14,808)	(15,726)
	<u>35,783</u>	<u>523,679</u>	<u>559,461</u>
Depreciation Rate (in percentage)	<u>30%</u>	<u>33%</u>	

June '2020
---Rupees---

5 INTANGIBLE ASSET

Trading Right Entitlement Certificate (TREC) 5.1 2,500,000

- 5.1 This represents amount paid to Pakistan Stock Exchange Ltd for Trading Right Entitlement Certificate which has been issued on June 16, 2020 and notified vide PSX notice no. PSX/N-725 dated June 16, 2020.

6 LONG TERM DEPOSITS

Security Deposit - NCCPL 200,000

7 SHORT TERM INVESTMENTS

Fair value through profit or loss 49,948,160

Name of Investee Company	No of Shares	Cost Per Share	Actual Cost of Purchase	Fair Value as at June 30 2020	Accumulated unrealized gain / (loss)
Al-Kahir Gadoon Limited	223,000	15.46	3,447,641	3,356,150	(91,491)
Buxly Paints Limited	1,500	31.68	47,516	56,400	8,884
Chashma Sugar mills Limited	180,000	68.77	12,377,945	12,780,000	402,055
Karam Ceramics Limited	363,000	25.59	9,290,371	12,875,610	3,585,239
Reliance Cotton Spinning Mills Limited	25,000	128.22	3,205,424	3,200,000	(5,424)
Shams Textile Mills Limited	271,000	35.21	9,541,795	9,485,000	(56,795)
United Distributors Pakistan Limited	140,000	28.94	4,051,455	4,655,000	603,545
Zil Limited	30,000	111.83	3,354,877	3,540,000	185,123
			<u>45,317,024</u>	<u>49,948,160</u>	<u>4,631,136</u>

Provision for Deferred Taxation on unrealized gain (694,670)

Unrealized Gain- Net of Tax 3,936,466

		June '2020 ---Rupees----	
8	CASH AND BANK BALANCE		
	Cash in Hand		27,873
	In Current Account		670,228
			<u>698,101</u>
9	ISSUED, SUBSCRIBED AND PAID UP CAPITAL	No. shares	
	Ordinary Shares of Rs. 10 each issued for consideration paid in cash	<u>5,000,000</u>	<u>50,000,000</u>
10	TRADE AND OTHER PAYABLES		
	Accrued Expenses		282,853
	Payable to Chief Executive on account of initial expenditure		231,135
			<u>513,988</u>
11	CONTINGENCIES AND COMMITMENT		
	There are no contingencies and capital commitment at the reporting date.		
			June'2020 ---Rupees----
12	OPERATING AND ADMINISTRATIVE EXPENSES		
	Salaries and Wages		72,666
	Fees and Subscription		362,325
	Software Expense		56,500
	Donation		95,000
	Internet Connectivity		23,261
	Repair & Maintenance Equipment		84,617
	Other Expenses		50,877
	Premises Rent		159,000
	Auditors' remuneration	12.1	243,000
	Legal & Professional		13,625
	Photocopying		12,687
	Depreciation		15,726
			<u>1,189,284</u>
12.1	Auditors' remuneration		
	Audit fee		50,000
	Certificate fee		100,000
	Corporate and Tax compliance services		75,000
	Sindh sales tax on services		18,000
			<u>243,000</u>
13	TAXATION		
	Income from capital gain on listed shares is taxed under FTR (Fixed Tax Regime).		

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	June'2020 ---Rupees---
14 EARNING PER SHARE - Basic & Diluted	
Profit after taxation	2,663,842
Number of issued Shares	5,000,000
Earning per Share	0.53

15 CASH AND CASH EQUIVALENTS

Cash and bank balances	698,101
	698,101

15 RELATED PARTY TRANSACTIONS

The related parties comprise Chief executive, Director and Sponsors. Details of transaction with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	June'2020 ---Rupees---
Payable to Chief Executive for initial expenditure	231,135
Shares issued to Chief Executive and Director (Sponsors)	50,000,000

16 NO OF EMPLOYEES

The average number of employees including temporary and daily wages labour at period end as at June 30 2020, are as follows:

	June '2020
As on reporting date	3
Average during the period	3

17 CAPITAL ADEQUACY LEVEL

Total Assets	53,905,722
Less: Total Liabilities	(1,241,880)
Less: Revaluation Reserves	-
Capital Adequacy Level	52,663,842

While determining the value of the total assets of the TREC Holder, Notional value of the TREC certificate held by the Akik Capital (Pvt.) Ltd as at June 30, 2020 as determined by Pakistan Stock Exchange has been considered.

18 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.

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

Investments

Value of shares held in CDC	49,948,160
Value of shares under pledge	-

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.42,606,827.

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20 FINANCIAL INSTRUMENTS BY CATEGORY

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

2020						
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			49,948,160	-	49,948,160	49,948,160
Deposits	-	-	-	200,000	200,000	200,000
Cash at bank	-	-	670,228	-	670,228	670,228
	-	-	50,618,388	200,000	50,818,388	50,818,388
FINANCIAL LIABILITIES						
Trade and other payables	-	-	513,988	-	513,988	513,988
	-	-	513,988	-	513,988	513,988

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.

21 FINANCIAL INSTRUMENTS

21.1 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 by investment in liquid listed securities.

Exposure to credit Risk

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

	2020 Rupees
Deposits	200,000
Investments	49,948,160
Bank Balances	670,228
	<u>50,818,388</u>

Trade Deposits and Receivables

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

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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 20.

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.

2020
Rupees

Effect on profit or loss account and investment

4,994,816

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

22 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.

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23 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

MEASUREMENT OF FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's certain accounting policies and disclosure requires use of fair value measurement and the Company while assessing fair value maximize the use of relevant observable inputs and minimize the use of unobservable inputs establishing a fair value hierarchy, i.e., input used in fair value measurement is categorized into following three levels;

- Level 1 Inputs are the quoted prices in active markets for identical assets or liabilities that can be assessed at measurement.
- Level 2 Inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable inputs for the asset or liability.

Level 1	Level 2	Level 3	Total
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Short term investments

Fair value through profit or loss	49,948,160	-	-	49,948,160
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As at year end the fair value of all the financial assets and liabilities approximates to their carrying values. The property plant and equipment is carried at cost less accumulated depreciation and impairment if any. except capital work in progress which are stated at cost. The Company does not expect that unobservable inputs may have significant effect on fair

24 DATE OF AUTHORIZATION FOR ISSUE

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

~~06~~ **06** ~~AUG~~ **AUG** ~~2020~~ **2020**

25 GENERAL

25.1 The Company was incorporated in April 20, 2020. These financial statements have been prepared from April 20, 2020 to June 30, 2020, hence comparative figures are inapplicable.

25.2 Figures have been rounded off to the nearest rupee. *ln*


Chief Executive

M. Lakshani
Director