BIPL
Securities

BIPL Securities Limited

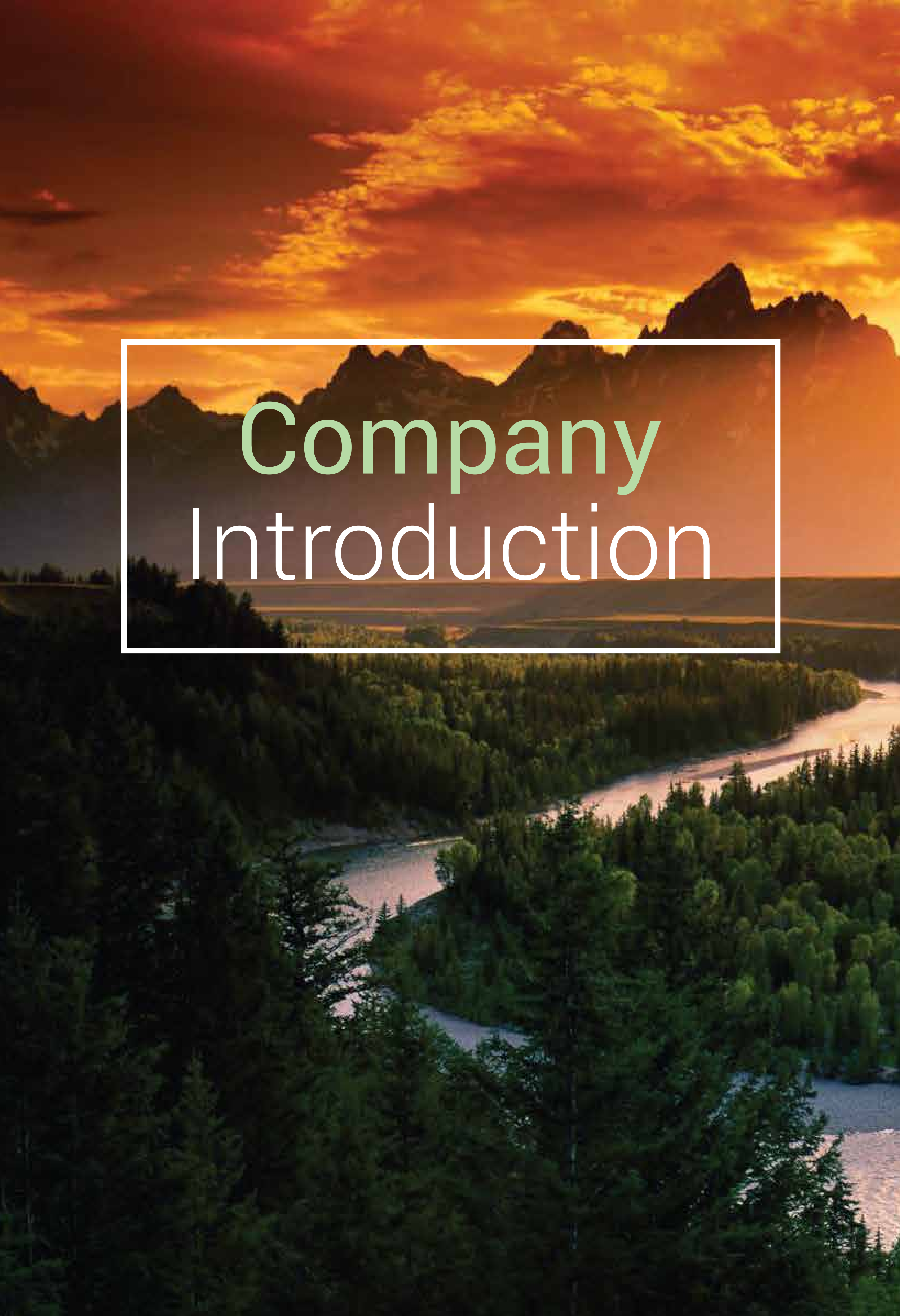
NINE MONTHS ENDED

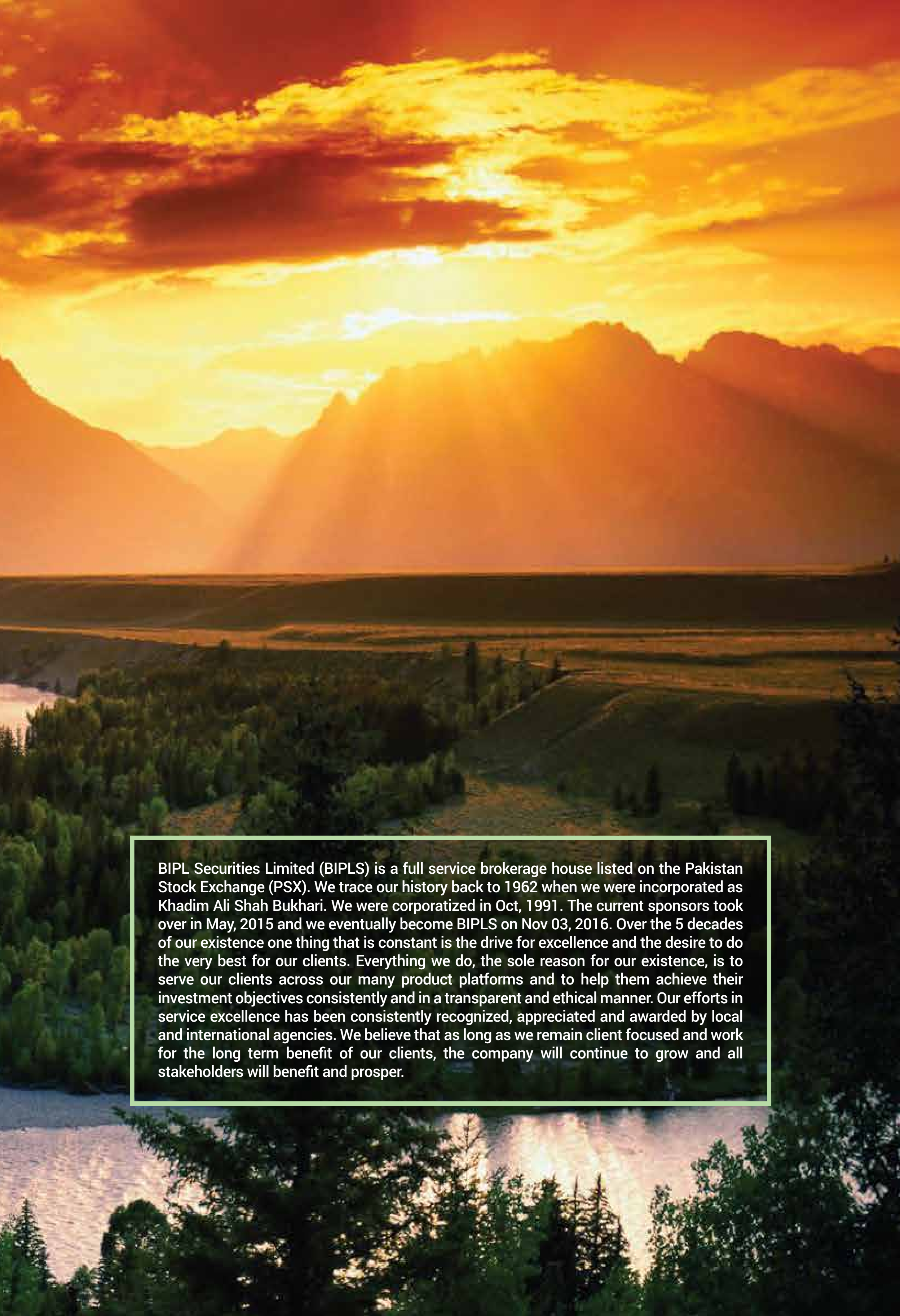
SEPTEMBER
2019

Since 1962
50 Years of Excellence

Condensed Interim Financial Information (Un - Audited)

Company Introduction





BIPL Securities Limited (BIPLS) is a full service brokerage house listed on the Pakistan Stock Exchange (PSX). We trace our history back to 1962 when we were incorporated as Khadim Ali Shah Bukhari. We were corporatized in Oct, 1991. The current sponsors took over in May, 2015 and we eventually become BIPLS on Nov 03, 2016. Over the 5 decades of our existence one thing that is constant is the drive for excellence and the desire to do the very best for our clients. Everything we do, the sole reason for our existence, is to serve our clients across our many product platforms and to help them achieve their investment objectives consistently and in a transparent and ethical manner. Our efforts in service excellence has been consistently recognized, appreciated and awarded by local and international agencies. We believe that as long as we remain client focused and work for the long term benefit of our clients, the company will continue to grow and all stakeholders will benefit and prosper.

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

Kamal Uddin Tipu – Chairman
Abdul Aziz Anis, CFA – Chief Executive Officer
Muhammad Hafeezuddin Asif
Sikander Kasim
Sohail Sikandar
Khurram Jamil
Muhammad Uzair Sipra
Mudassar Aslam

AUDIT COMMITTEE

Sikander Kasim - Chairman
Sohail Sikandar
Khurram Jamil
Muhammad Shafiq Oza - Secretary

HR & R COMMITTEE

Kamal Uddin Tipu - Chairman
Muhammad Uzair Sipra
Mudassar Aslam
Jihan Malik Mehboob - Secretary

CHEIF EXECUTIVE OFFICER

Abdul Aziz Anis, CFA

COMPANY SECRETARY

Arsalan Farooq

CHIEF FINANCIAL OFFICER

Zafar Ahmed Khan

STATUTORY / NCB AUDITOR

RSM Avais Hyder
Chartered Accountants
407, Progressive Plaza, Beaumont Road
Karachi, Pakistan

CREDIT RATING AGENCY

JCR-VIS Credit Rating Company Limited

BANKERS

Allied Bank Limited
Askari Bank Limited
Bank Al-Habib Limited
Bank Al-Falah Limited
Bank Islami Pakistan Limited
Faysal Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited

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DIRECTORS' REVIEW TO THE SHAREHOLDERS

On behalf of the Board of Directors of BIPL Securities Limited, we are pleased to present the unaudited financial statements of the Company for the nine months ended September 30, 2019.

Economic Review

Rising inflation and slowing local consumption have continued to weaken economic activity across multiple sectors during the year. However, the slowdown in consumption has allowed the government to rein in the Current Account Deficit (CAD) which has declined by 55%YoY in 2MFY20 primarily led by 38%YoY decline in trade deficit. The reduction in CAD has brought stability to the exchange rate whereby during 3QCY19 the PKR strengthened by 2%QoQ (on closing basis) to close at PKR156.08 to the USD.

CPI inflation for 3QCY20 averaged at 11.5% (old base) as opposed to 5.6% during SPLY. In order to curtail inflationary pressures, the Central Bank raised interest rates by 100bps during 3QCY19 to take the benchmark policy rate to 13.25%.

The fiscal side continued to remain challenging for the government. However, FBR collected PKR955bn in 1QFY20 as against PKR 832bn last year increasing by 15%. Yet it fell short of the ambitious target of PKR1.07trn by PKR116bn (11%).

Equity Market Review

Due to weak economic numbers, the benchmark KSE-100 index shed 4,988 points in 9MCY19 posting a negative return of 13.5% to close at 32,079 points after touching the bottom at 28,765 points. Trading activity on the bourse also remained dull as depicted by thin volumes traded during the period where Average Daily Traded Value and Average Daily Traded Volume declined by 40%YoY and 34%YoY, respectively.

Debt and Currency Market Review

The appetite for longer term government securities picked up significantly towards the end of 2QCY19 reflecting participants expectation that the discount rate is likely to stabilize at current levels. Consequently, the interest rate curve inverted towards the start of 2HCY19 as the yield on the long term bonds topped out. Overall the market now forecasts a cut in interest rates towards the end of 1HCY20 .

Operating and Financial Performance

During the period ended September 30, 2019 the Company reported the following results:

	NINE MONTHS ENDED SEP 30	
	2019	2018
	(Rupees in '000)	
Operating revenue	131,325	140,767
Mark-up / profit on bank deposits and other receivables	62,079	40,018
Gain on sale of investments - net	9,409	11,435
Dividend income	-	84
Unrealized gain / (loss) on investments –net	266	(2,734)
Reversal of impairment of held for trading investments	5,000	-
Total income	208,079	189,570
Operating and administrative expenses	(228,374)	(231,958)
Finance cost	(19,435)	(10,972)
Total expenses	(247,809)	(242,930)
Net loss - before impairment and taxation	(39,730)	(53,360)
Impairment on long term investment- Subsidiary	(644)	(125)
(Provision) / reversal against doubtful debts-net	(3,293)	39
Other income	1,275	8,183
Taxation	14,017	13,760
Net loss after tax	(28,375)	(31,503)
Loss per share	(0.28)	(0.32)

The company suffered an approx. 6.7% drop in operating revenues even though the stock market saw fall in value and volume traded of 40% and 34% respectively for the period YoY. Rising interest rates have improved mark-up and other interest based income for the period. Furthermore, the company has managed to keep operating and administrative costs in check as drop in expenses of 1.5% despite inflationary pressures. On the whole the company has managed to slightly improve its financial performance inspite difficult market and economic conditions.

Future Outlook

Future outlook appears to be positive as the negative economic news is already reflected in market valuations. We expect investors interest to increase gradually on the back of expectations of interest rates topping up and easing of CAD. A stable PKR also adds to positive overall market sentiments going forward.

Acknowledgement

The Directors wish to record their gratitude to the Company's valued clients, shareholders, business partners and other stakeholders for their continued trust that they have reposed in the Company. The Board would also like to record their appreciation to the employees of the Company for their commitment and dedication.

On behalf of the Board of Directors

Karachi
October 17, 2019

Director

Chief Executive Officer

STANDALONE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019

	Note	(Un-Audited) September 30, 2019	(Audited) December 31, 2018
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property and equipment	5	56,871	39,472
Intangible assets		4,418	4,775
Long-term investments	6	311,310	488,286
Long-term loans and advances		685	158
Long-term deposits and prepayments		23,108	23,017
Deferred tax asset - net		77,858	66,276
		474,250	621,984
Current assets			
Short-term investments	7	46,562	-
Trade debts	8	143,899	121,988
Advances, deposits, prepayments and other receivables	9	360,684	424,365
Taxation - net		120,759	111,476
Cash and bank balances	10	384,966	546,138
		1,056,870	1,203,967
TOTAL ASSETS		1,531,120	1,825,951
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital		2,000,000	2,000,000
Issued, subscribed and paid-up capital		1,000,000	1,000,000
General reserve		18,752	18,752
Unrealised gain/ (impairment loss) on re-measurement of investment at 'fair value through other comprehensive income'	3.1.5	93,343	301,304
Accumulated loss		(425,197)	(445,791)
		686,898	874,265
Non-current liabilities			
Long-term financing-secured	11	150,000	150,000
Liability against asset subject to finance lease	3.3	12,273	-
		162,273	150,000
Current liabilities			
Trade and other payables	12	673,060	700,172
Short term financing-secured		-	100,000
Current maturity of liability against asset subject to finance lease	3.3	7,419	-
Unclaimed dividend		1,404	1,404
Accrued mark-up		66	110
		681,949	801,686
TOTAL EQUITY AND LIABILITIES		1,531,120	1,825,951
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The annexed notes 1 to 19 form an integral part of these Condensed Interim Financial Information.

Chief Executive Officer | Director | Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Note	Nine months ended September 30, 2019	Nine months ended September 30, 2018	Quarter ended September 30, 2019	Quarter ended September 30, 2018
		(Rupees in '000)			
Operating revenue	14	131,325	140,767	40,546	43,281
Net gain on investment					
Gain on sale of investments 'at fair value through profit and loss' - net		9,409	11,435	2,989	4,057
Reversal of impairment of held for trading investments	7.2.1	5,000	-	-	-
Unrealised gain on re-measurement of investments 'at fair va lue through profit or loss' -net		266	(2,734)	496	(2,291)
		14,675	8,701	3,485	1,766
Dividend income		-	84	-	-
Mark-up / profit on bank deposits and other receivables	15	62,079	40,018	21,616	13,283
		208,079	189,570	65,647	58,330
Operating and administrative expenses		(228,374)	(231,958)	(75,106)	(78,173)
Impairment on long-term investment - Subsidiary	6.1	(644)	(125)	(50)	(42)
(Provision) / reversal against doubtful debts-net		(3,293)	39	574	1
		(232,311)	(232,044)	(74,582)	(78,214)
Operating loss		(24,232)	(42,474)	(8,935)	(19,884)
Finance cost		(19,435)	(10,972)	(7,000)	(3,831)
		(43,667)	(53,446)	(15,935)	(23,715)
Other income		1,275	8,183	(834)	2,772
Loss before taxation		(42,392)	(45,263)	(16,769)	(20,943)
Taxation					
Current		(4,308)	(17,704)	(1,968)	(1,794)
Deferred		18,325	31,464	5,605	4,466
		14,017	13,760	3,637	2,672
Loss after taxation		(28,375)	(31,503)	(13,132)	(18,271)
Other comprehensive income for the period:					
Unrealised (loss) / gain arising during the period on re-measurement of investment at fair value through other comprehensive income - net		(176,332)	49,492	(246,406)	6,096
Total comprehensive (loss) / income for the period		(204,707)	17,989	(259,538)	(12,175)
		(Rupees)			
Loss per share - basic and diluted		(0.28)	(0.32)	(0.13)	(0.18)

The annexed notes 1 to 19 form an integral part of these Condensed Interim Financial Information.

Chief Executive Officer	Director	Chief Financial Officer

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Nine months ended September 30,	
	2019	2018
	-----------------(Rupees in '000)-----------------	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(42,392)	(45,263)
Non-cash adjustments to reconcile loss before tax to net cash flows:		
Depreciation	5,774	8,874
Depreciation of right- of- use assets	4,656	-
Ammortisation of intangible assets	438	780
Gain on sale of investments' at fair value through profit and loss' - net	(9,409)	(11,435)
Gain on sale of property and equipment	(1,554)	(1,370)
Unrealised (gain) / loss on re-measurement of investments 'at fair value through profit or loss' - net	(266)	2,734
Provision / (reversal) against doubtful debts-net	3,293	(39)
Provision against long term deposits	136	-
Impairment on long-term investment - Subsidiary	644	125
Finance cost	19,435	10,972
Dividend income	-	(84)
	23,147	10,557
	(19,245)	(34,706)
Working capital adjustments:		
Decrease in current assets		
Trade debts	2,336	20,358
Advances, deposits, prepayments and other receivables	60,266	142,928
	62,602	163,286
Decrease in current liabilities		
Trade and other payables	(27,112)	(175,995)
	16,245	(47,415)
Finance cost paid	(18,940)	(10,973)
Income tax paid	(13,591)	(26,959)
Net cash flows used in operating activities	(16,286)	(85,347)
CASH FLOW FROM INVESTING ACTIVITIES		
Investments 'at fair value through profit or loss' - net	(36,887)	72,169
Purchase of property and equipment	(7,215)	(2,609)
Purchase of intangible assets	(81)	-
Proceeds from disposal of property and equipment	6,581	1,872
Dividend received	-	84
Net cash flows (used in) / generated from investing activities	(37,602)	71,516
CASH FLOW FROM FINANCING ACTIVITIES		
Long-term loans and advances	(527)	97
Long-term deposits and prepayments	(270)	(7,664)
Liability against asset subject to finance lease	(6,487)	-
Repayment of short term financing	(100,000)	-
Net cash flows used in financing activities	(107,284)	(7,567)
Net decrease in cash and cash equivalents	(161,172)	(21,398)
Cash and cash equivalents at the beginning of the period	546,138	496,966
Cash and cash equivalents at the end of the period	384,966	475,568

The annexed notes 1 to 19 form an integral part of these Condensed Interim Financial Information.

Chief Executive Officer Director Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Share Capital	General Reserve	Accumulated Loss	Unrealised gain / (impairment loss) on re-measurement of investment at 'fair value through other comprehensive income'	Total
	----------------------	(Rupees in '000)	------------------------		
Balance as at January 01, 2018	1,000,000	18,752	(418,832)	325,065	924,985
Total comprehensive income for the period	-	-	(31,503)	49,492	17,989
Balance as at September 30, 2018	1,000,000	18,752	(450,335)	374,557	942,974
Total comprehensive loss for the period	-	-	4,544	(73,253)	(68,709)
Balance as at December 31, 2018 (previously reported)	1,000,000	18,752	(445,791)	301,304	874,265
Reclassification of impairment loss due to initial application of IFRS-9 (Note 3.1.5)	-	-	31,629	(31,629)	-
Adjustment of initial application of IFRS-9 (net of tax) (Note 3.1.5)	-	-	17,340	-	17,340
Balance as at December 31, 2018 (adjusted)	1,000,000	18,752	(396,822)	269,675	891,605
Total comprehensive loss for the period	-	-	(28,375)	(176,332)	(204,707)
Balance as at September 30, 2019	1,000,000	18,752	(425,197)	93,343	686,898

The annexed notes 1 to 19 form an integral part of these Condensed Interim Financial Information.

Chief Executive Officer

Director

Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

1. STATUS AND NATURE OF BUSINESS

1.1 BIPL Securities Limited (the Company) was incorporated in Pakistan on October 24, 2000 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and commenced its operations effective January 1, 2003, on the transfer of assets and liabilities of the securities segment of the then Khadim Ali Shah Bukhari and Company Limited under a Scheme of Arrangement approved by the High Court of Sindh. The shares of the Company are listed on the Pakistan Stock Exchange Limited (PSX). The registered office of the Company is situated at 5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi.

1.2 The Company is a subsidiary of BankIslami Pakistan Limited (BIPL) - (the Parent Company), which holds 77.12% shares of the Company.

The parent company has released public information on April 24, 2019 pertaining to BIPL Securities Limited, (in which board of parent had authorized the bank to explore and evaluate the strategic option including divestment of shares held in BIPL Securities Limited.

1.3 The Company is a TREC holder of the Pakistan Stock Exchange Limited (PSX) and Corporate member of Pakistan Mercantile Exchange Limited (PMEX) and is principally engaged in the business of stocks, money market, foreign exchange and commodity broking. Other activities include investment in a mix of listed and unlisted equity and debt securities, economic research and advisory services.

1.4 These are separate condensed Interim Financial Information of the Company in which investment in subsidiary is reported on the basis of direct equity interest and is not consolidated.

2. BASIS OF PREPARATION

2.1 These unconsolidated condensed interim financial information of the Company for the period ended September 30, 2019 have been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting" and provisions of the Companies Act, 2017 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements differ, the provisions of the Companies Act, 2017 and the said directives have been followed.

2.2 These unconsolidated condensed interim financial information do not include all the information and disclosures required in the Annual Financial Statements, and should be read in conjunction with the Company's Annual Financial Statements for the year ended December 31, 2018.

2.3 These unconsolidated condensed interim financial information are un-audited.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are same as those applied in the preparation of the financial statements of the Company for the year ended December 31, 2018 other than those disclosed below:

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current period.

Standard or Interpretation
IFRS 9 - Financial Instruments
IFRS 9 - Prepayment Features with Negative Compensation - (Amendments)
IFRS 16 - Leases
IFRS 15 - Revenue from Contracts with Customers
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)
IAS 28 - Long term Interests in Associates and Joint Ventures - (Amendments)
IFRIC 23 - Uncertainty over Income Tax Treatments

The adoption of the above accounting standard and interpretation did not have any material effect on these condensed interim financial statements except as described in note 3.1, 3.2 and 3.3.

3.1 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The said standard has been adopted by SECP and effective for companies with reporting periods ending on or after 30 June 2019.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

3.1.1 Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. The adoption of IFRS 9 has not had a significant effect on the company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortized cost; Fair Value through Other Comprehensive Income (FVOCI); or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model under which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

It is held within a business model whose objective is both, to hold assets to collect contractual cash flows and selling the financial asset; and

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI i.e. FVOCI. This election is made on an instrument-by-instrument basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method. Foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Business model assessment:

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

• the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

• how the performance of the portfolio is evaluated and reported to the Company's management;

• the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about the future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The Company's existing financial assets at the date of the initial application of IFRS 9 on 1 January 2019 have been reviewed and assessed, and as a result:

• the Company's trade receivables and other receivables portfolio meeting the required criteria have been classified as financial assets at amortized cost;

• the Company's investment in equity instruments that are held for trading meeting the required criteria have been designated as fair value through profit and loss (FVTPL);

• the Company has made an irrevocable election for investments in equity instruments that are not held for trading to be designated as fair value through other comprehensive income (FVOCI);

3.1.2 Classification and measurement of financial liabilities:

Financial liabilities previously measured at amortized cost under IAS 39 have been classified and measured under IFRS 9 at amortized cost. There have been no changes in the classification and measurement of financial liabilities on the adoption of IFRS 9.

3.1.3 Impairment of financial assets

The standard introduces a new single model for the measurement of impairment losses on all financial assets including financing and investments measured at amortized cost or at fair value through OCI. The IFRS 9 expected credit loss (ECL) model replaces the current "incurred loss" model of IAS 39.

The ECL model applies to trade receivables, debt instruments accounted for at amortized cost or at FVTOCI, most loan commitments, financial guarantee contracts, and lease receivables under IFRS 16 Leases.

For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets, the ECL is based on the 12-month ECL. The ECL model contains a three stage approach which is based on the change in credit quality of financial assets since initial recognition. The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

3.1.4 Hedge accounting

Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, will often be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measurable.

The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging. More designations of Company's of items as the hedged item are possible, including layer designations and some net positions.

The application of IFRS 9 has had no impact on the hedge accounting as the Company does not have any hedge instruments.

3.1.5 Transition impact

In line with IFRS 9 transition provisions, the Company has elected to record any adjustment to its opening 1 January 2019 retained earnings to reflect the application of the new requirements of classification and measurement, and impairment at the date of adoption without restating comparative information.

For classification and measurement, the combined application of the contractual cash flow characteristics and business model tests as at 1 January 2019 is expected to result in certain differences in the classification of financial assets when compared to our current classification under IAS 39.

For impairment, the application of ECL model is expected to result in loss allowance as at 1 January 2019 which is lower than provision for doubtful debt as at 31 December 2018.

The impact of the adoption on the opening retained earnings, that relates solely to the new impairment requirements, at the beginning of the current year (1 January 2019) is as follows:

	Carrying Amount - Rs in 000s		Provision - Rs in 000s		
	IAS 39	IFRS 9	IAS 39	IFRS 9	Impact on Retained Earning
Long-term deposits	22,963	22,963	-	(42)	(42)
Trade debts	218,606	218,606	(96,618)	(69,078)	27,540
Short term deposits	327,230	327,230	-	(2,100)	(2,100)
Short term other receivables	86,390	86,390	-	(1,315)	(1,315)
					24,083
Tax adjustment (28%)					6,743
Net impact					17,340

Reclassification of impairment loss due to initial application of IFRS-9 of New Horizon Exploration and Production Limited

	(Rupees in '000)
Accumulated loss	31,629
Unreallized gain/ (impairment loss)	(31,629)
Net Impact on Equity	-

The following table reconciles and explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the class of the Company's financial assets as at 1 January 2019.

	Classification		Carrying Amount - Rs in 000s	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Structured Venture (Pvt) Limited	Cost less impairment		1,347	1,347
Pakistan Stock Exchange Limited	AFS	FVOCI	21,752	21,752
Al Jomaih Power Limited	AFS	FVOCI	465,187	465,187
New Horizon Exploration and Production Limited	AFS	FVOCI	-	-
Long term loan to employees	Loan & receivables	Amortized cost	158	158
Current portion of loan to employees	Loan & receivables	Amortized cost	998	998
Long-term deposits	Loan & receivables	Amortized cost	22,963	22,963
Short term investments-listed shares	HFT	FVTPL	-	-
Trade debts	Loan & receivables	Amortized cost	218,606	218,606
Short term deposits	Loan & receivables	Amortized cost	327,230	327,230
Short term other receivables	Loan & receivables	Amortized cost	86,390	86,390

3.2 Financial assets

Non-Derivative Financial Assets

From 1 January 2019, the Company classifies its financial assets in the following measurement categories:

•Those to be measured subsequently at fair value (either through OCI or through profit or loss), and
• Those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company initially recognises financial assets on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Company is recognised as a separate asset or liability.

The Company has the following non-derivative financial assets.

Financial Assets at Amortized Cost

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortized cost. A gain or loss on a debt investment subsequently measured at amortized cost and not part of a hedging relationship is recognised in the profit and loss account when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Financial Assets at fair value through other comprehensive income (FVOCI)

Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the profit and loss account. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. When the financial asset, other than equity instrument, is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the profit and loss account and recognised in other gains / (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income / expense.

Financial assets at fair value through profit or loss (FVTPL)

Equity investments that are held for trading are classified as investments at FVTPL are carried at fair value. Gain / loss on remeasurement of such investments to fair value is recognised in the profit and loss account.

The fair value of those investments representing listed equity and other securities i.e. debt instruments, are determined on the basis of year-end prices obtained from stock exchange quotations.

Derivatives

Derivative instruments held by the company primarily comprise of future contracts in the capital market. These are initially recognised at fair value and are subsequently remeasured at fair value. The fair value of future contracts is calculated as being the net difference between the contract price and the closing period reported on the primary exchange of the future in the profit and loss account. Derivative financial instrument contracts entered into by the company do not meet the hedging criteria as defined by International Financial Reporting Standard (IFRS) '9: 'Financial Instruments'. Consequently hedge accounting is not being applied by the company.

Impairment

Non-Derivative Financial Assets

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments as part of its financial assets, carried at amortized cost and FVOCI. For accounts receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, receivables have been companied based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Company and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate. Other financial assets such as employees' receivables and bank balances have low credit risk and the impact of applying ECL is immaterial.

Non-Financial Assets

The carrying amount of non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a company of assets. If any such indication exists, the recoverable amount of that asset is estimated, and impairment losses are recognized in the profit and loss account.

Trade and other receivables

Trade debts and other receivables are classified as financial assets at amortized cost and are recognized at fair value and subsequently measured at amortized cost. A provision for impairment based on forward-looking expected credit losses in trade and other receivables is made.

3.3 IFRS 16 Leases

During the current year, the Company have adopted IFRS 16 as issued by the International Accounting Standards Board (IASB) in January 2016.

IFRS 16 supersedes 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". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company has lease contracts for its various branches. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under 'Short term deposits and prepayments' and 'Creditors, accrued expenses and other liabilities', respectively.

Upon adoption of IFRS 16, the Company initially recognized a lease liability for the obligation to make lease payments and a right-of-use (RoU) asset for the right to use the underlying asset for the lease term against a consideration. The lease liability is measured at the present value of the consideration (lease payments) to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. The RoU asset is initially measured at the present value of lease liability, adjusted for lease prepayments and borrowing costs.

The Company has adopted modified retrospective approach for transition to IFRS 16, accordingly the Company elected not to restate the comparative figures and not to adjust the opening unappropriated profit.

The Company also applied the available practical expedients wherein it:

Used a single discount rate to a portfolio of leases with reasonably similar characteristics.

Relied on its assessment of whether leases are onerous immediately before the date of initial application.

Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Summary of new accounting policies in respect of adoption of IFRS 16

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight- line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options:

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms of one to three years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Company included the renewal period as part of the lease term for leases of Company's branches due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one to three years) and there will be a significant negative effect on operations if a replacement is not readily available.

The overall impact of the intial application of IFRS 16 on these condensed interim unconsolidated financial statements is summarised below:

Right of Use (RoU) assets recognised as Fixed assets - increased by Rs. 5.59 million.

Lease liabilities recognised as Liabilities subject to finance lease - increased by Rs. 4.63 million.

Profit after tax for the nine months ended September 30, 2019 decreased by Rs. 0.51 million.

Had this standard not been applied, assets and liabilities would have been lower by Rs. 20.98 million and Rs. 19.69 million respectively. Rent expense would have been higher by Rs. 4.84 million and depreciation charge and finance cost on lease liability would have been lower by Rs. 4.66 million and Rs. 0.89 million respectively.

The company has obtained ijarah financing of vehicles as a lessee under IFAS-2, therefore Company has not adopted IFRS-16 on such financing.

4 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these unconsolidated condensed interim financial information requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectation of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended December 31, 2018.

Judgements and estimates made by the management in the preparation of these unconsolidated condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended December 31, 2018 except for implementation of IFRS 9 and IFRS 16 as stated above.

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
		------------(Rupees in '000)-----------	
5 PROPERTY AND EQUIPMENT			
The details of additions and disposals during the period / year are as follows:			
Owned Assets	5.1	**35,887**	39,472
Right of use Assets	3.3	**20,984**	-
		56,871	39,472

5.1 The details of additions and disposals of owned assets during the period / year are as follows:

	Nine months ended (Un-audited) September 30, 2019		Year ended (Audited) December 31, 2018	
	Additions / Transfers Cost	Disposals Cost	Additions Cost	Disposals Cost
	---------(Rupees in '000)---------			
Furniture and fixtures	**418**	**-**	811	-
Computers and office equipment	**1,476**	**-**	5,030	(847)
Vehicles	**5,321**	**(5,321)**	-	(2,509)
	7,215	(5,321)	5,841	(3,356)

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
6. LONG-TERM INVESTMENTS		------------(Rupees in '000)-----------	
Subsidiary company- Structured Venture (Private) Limited (SVPL)	6.1	**703**	1,347
Investments at fair value through Other comprehensive income	6.2	**310,607**	486,939
		311,310	488,286
6.1 Subsidiary Company			
Cost		**488,581**	488,581
Less: Provision for impairment		**(487,878)**	(487,234)
		703	1,347

The net assets of SVPL have reduced due to full impairment of investment of Rs. 81.567 million in an associated company New Horizon Exploration and Production Limited (NHEPL), and provision against advance for purchase of land of Rs. 375 million.

SVPL had given advance against purchase of property of Rs. 375 million which was being developed as a Housing Scheme (the 'Project') by M/s. Noor Developer (Private) Limited (the 'Developer'), the majority shareholder of which is Mr. Arif Ali Shah Bukhari. This amount includes development charges of Rs. 75 million paid to the Developer. The Developer had communicated in the previous years that the Project was pending final approval from the Cantonment Board Korangi Creek (CBKC) for last few years due to modification and revision required by the CBKC in the Project.

During the year 2015, the Developer cancelled provisional booking vide its letter dated June 15, 2015 and in response, SVPL has filed legal suit for specific performance, declaration, injunction, partition and damages in the Sindh High Court.

In addition to the above, as per CBKC letter to Military Lands & Cantonments dated July 04, 2011, the land on which provisional booking was made is not eligible for the type of allotment made to SVPL as per sale agreement dated November 10, 2010 between SVPL and the Developer. Further, the development work on the Project, as communicated by the Developer vide their letter dated December 28, 2013, has also not been undertaken.

Moreover, verification from the Registrar of Housing Society has revealed that no record exists for the said Project, namely Noor Town, situated at survey number 288, 289 and 290 at Deh Korangi Township Karachi. Prima facia a fraud was committed with the Company against which, criminal and civil proceedings have already been initiated.

Considering the facts stated above, the history of this transaction and legal implications, SVPL as a matter of prudence, has fully provided this amount. Hence, the Company's investment in SVPL stands impaired.

On request of the Company for complaints against Criminal Acts of M/s. Noor Developers (Private) Limited, SECP vide its letter dated September 27, 2017, has informed that appropriate steps have been taken as to referring the matter to National Accountability Bureau (NAB) under Section 41-B of Securities and Exchange Commission of Pakistan (Amendment) Act, 2016. On the recommendation/ approval of SECP, NAB has initiated enquiry into the matter.

During the period, the Company has recognized further impairment as the net assets of SVPL has decreased due to operating losses.

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
		--------------------------(Rupees in '000)--------------------------	
6.2 Investments at fair value through Other comprehensive income			
Name of the Investee Company			
Quoted shares			
Pakistan Stock Exchange Limited	6.2.1 & 6.2.2	**13,513**	21,752
Unquoted shares			
Al Jomaih Power Limited	6.2.3	**297,094**	465,187
New Horizon Exploration and Production Limited - Class 'A' ordinary shares		**31,629**	31,629
Less: impairment	6.2.4	**(31,629)**	(31,629)
		-	-
		310,607	486,939

6.2.1 This represents 1,602,953 shares having a market value of Rs 8.43 per share as at September 30, 2019 (December 31, 2018: 13.57 per share).

The Company's entitlement in respect of PSX's shares was determined on the basis of valuation of assets and liabilities of PSX as approved by the SECP and 4,007,383 shares of the face value of Rs 10/- each were allotted to the Company, out of which 2,404,430 shares were kept in the blocked account and the divestment of the same was to be made in accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 [the Act] within two years from the date of promulgation of the Act. On December 22, 2016, the Divestment Committee of PSX accepted the highest bid price of Rs. 28 per share from Chinese Consortium to divest 40% equity stake held by the existing shareholders of PSX, which were kept in the blocked account as mentioned above, under Stock Exchange (Corporatisation, Demutualisation and Integration) Act, 2012 and regulation framed there under. Subsequent to above, PSX intimated vide letter dated December 29, 2016 that bidding process for the sale of PSX shares has been concluded. Further, consideration for the above sale was received by PSX after holding 10% of the sale price as Retention money in terms of Share Purchase Agreement executed among Anchor investor, Divestment Committee and PSX, which has been retained for a period of one year to settle any outstanding liabilities of PSX, the amount has been subsequently received.

6.2.2 During the quarter ended March 31, 2017, the company has received sale proceed of Rs 40.39 million against disposal of 1,602,953 shares representing 90% of sale proceed as initially agreed with Chinese Consortium through sale purchase agreement mentioned above. During the quarter ended June 30 2017, the company has received sale proceed of Rs. 21.99 million against disposal of 801,477 shares representing 20% holding to general public.

Further, PSX notified vide letter dated June 23, 2017 that SECP has approved the application for formal listing and quotation of shares of PSX pursuant to Stock Exchange (Corporatisation, Demutualisation and Integration) Act, 2012. The shares of PSX have been listed on June 29, 2017 on its Ready Counter, and currently it is measured at mark to market due to availability of active market. These shares are required to be blocked with CDC in-house / investor accounts under sub-regulation (1), (2) & (3) of Regulation 5 of Public offering Regulations, 2017. However CDC has kept these shares as frozen instead of blocked.

Further, the company has pledged 1,602,500 shares with PSX to meet the requirement of Base Minimum Capital (BMC) under clause 19.2 of the Risk Management Regulations in PSX Rule Book.

6.2.3 The Company's investment in unquoted shares of Al Jomaih Power Limited are valued at its fair value based on the net assets value (unaudited) of the investee company as at September 30, 2019.

6.2.4 In year 2015, the management recorded impairment of its investment in New Horizon Exploration and Production Limited (NHEPL) in accordance with IAS-36 which was again tested for impairment as required by IFRS 9 adopted by the company on January 01, 2019. The recoverable amount of investment was estimated using "Value in use" approach. In considering the impairment, various business assumptions for estimating cash flows were used, which includes but are not limited to, historical performance of the investment, development and production activity in NHEPL's working interests, recoverability of future cash flows from the investment etc. Based on such analysis, the Company fully impaired it's investment in NHEPL and an impairment loss of Rs. 31.63 million was recognised upto year 2016. As of reporting date there is no change in management assumption of recoverability of this investment, accordingly no impairment loss has been reversed.

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
		(Rupees in '000)	
7. SHORT-TERM INVESTMENTS			
At fair value through profit or loss'			
-Listed shares	7.1	46,562	-
-Term Finance Certificates	7.2	-	-
		46,562	-

7.1 This includes shares with carrying value of Rs.46.56 million (December 31, 2018: Nil) pledged with NCCPL against exposure margin.

7.2 Term Finance Certificates

2019	2018	Name of Investee Company	Note	September 30, 2019	December 31, 2018
Number of certificates					
		Pace Pakistan Ltd. (Face value Rs. 5,000/- each)			
6,000	10,000	Opening		27,221	45,369
(2,000)	(4,000)	Less: sold		(9,074)	(18,148)
4,000	6,000	Closing		18,147	27,221
		Less: impairment	7.2.1	(18,147)	(27,221)
				-	-

7.2.1 Impairment

	September 30, 2019	December 31, 2018
Opening balance	27,221	45,369
Less: Reversal of impairment due to sale	(5,000)	(10,000)
Impairment written off	(4,074)	(8,148)
	18,147	27,221

	Note	September 30, 2019	December 31, 2018
8. TRADE DEBTS			
Receivable against purchase of marketable securities - net of provisions	8.2	84,476	78,155
Receivable from NCCPL		54,453	40,638
Inter-bank brokerage		4,970	3,195
		143,899	121,988

8.1 Trade debts are initially recognized at fair value and subsequently measured at amortized cost. A provision for impairment in trade debts is made on expected credit loss model as defined under IFRS 9, considering company's historical credit loss experience, adjusted with forward-looking factors specific to the debtors and the economic environment, whereas debts deemed uncollectible are written off.

8.2	Note	September 30, 2019	December 31, 2018
Considered good			
Secured		8,749	28,299
Unsecured		-	7,189
		8,749	35,488
Considered doubtful		148,098	139,285
Less: provision for doubtful debts	8.3	(72,371)	(96,618)
		84,476	78,155

8.3 **Reconciliation of provisions against trade debts**

	September 30, 2019	December 31, 2018
Opening	96,618	94,395
Impact of expected credit loss (Note 3.1.5)	(27,540)	-
Provision	3,376	3,390
Write off	-	(1,117)
Reversal	(83)	(50)
	(24,247)	2,223
	72,371	96,618

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
		----(Rupees in '000)----	

8.4 **The aging analysis of trade debts are as follows:**

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
Not past due		64,920	70,285
Past due 15 days - 30 days		669	473
Past due 31 days - 180 days		5,549	4,260
Past due 181 days - 1 year		1,389	3,373
More than one year		71,372	43,597
		143,899	121,988

9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
Advances to:			
-Suppliers		325	5,456
-Current portion of long-term loans and advances		969	998
		1,294	6,454
Deposits:			
-Exposure deposit with -NCCPL		303,736	322,046
-Exposure deposit with -PMEX		3,266	3,084
-Others (Note 3.1.5)		2,100	2,100
		309,102	327,230
-Impact of expected credit loss	9.1	(2,100)	-
		307,002	327,230
Prepayments:			
-Rent		730	1,967
-Insurance		2,605	231
-Software development and maintenance		599	461
-Others		2,386	1,633
		6,320	4,292
Other receivables:			
-Profit on bank deposits		5,066	4,314
-Profit on exposure deposit with -PSX		2,452	778
-Receivable against margin finance		34,292	75,286
-Others (Note 3.1.5)		5,573	6,011
		47,383	86,390
-Impact of expected credit loss	9.1	(1,315)	-
		46,068	86,390
		360,684	424,365

9.1 **Impact of expected credit loss**

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
Deposits - others (Note 3.1.5)		2,100	-
Other receivables -others (Note 3.1.5)		1,315	-
		3,415	-

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
		(Rupees in '000)	

10. CASH AND BANK BALANCES

	Note	September 30, 2019	December 31, 2018
Cash at bank in:			
Company accounts			
- Current accounts		1,328	6,064
- Saving accounts	10.1	61,878	120,239
		63,206	126,303
Client accounts			
- Current accounts		11	10
- Saving accounts	10.1	321,647	419,820
		321,658	419,830
	10.2	384,864	546,133
Cash in hand		95	-
Stamps in hand		7	5
		384,966	546,138

10.1 These carry profit at the rates ranging from 3% to 12.75% (December 31, 2018: 2.6% to 9%) per annum.

10.2 This includes Rs. 210.37 million (December 31, 2018: Rs. 217.47 million) with BankIslami Pakistan Limited, the Parent Company.

11. LONG-TERM FINANCING - SECURED

	Note	September 30, 2019	December 31, 2018
Loan from financial institution	12.1	150,000	150,000

11.1 This represents long-term financing obtained from the Parent Company (BIPL) on December 31, 2015. The loan is secured by way of Exclusive Charge over DM Assets along with equitable mortgage over all other commercial properties of the Company. The financing is payable as a bullet payment in December 2020. BIPL is entitled to rental payments for use of musharakah assets. Rental payments are calculated to provide return equal to 3 months KIBOR + 3% per annum payable on quarterly basis from March 2016 to December 2020.

12. TRADE AND OTHER PAYABLES

	September 30, 2019	December 31, 2018
Trade creditors	645,535	625,426
Payable to NCCPL	-	43,269
Accrued expenses	21,510	26,221
Withholding tax	2,748	2,985
Interest liability	539	-
Others	2,728	2,271
	673,060	700,172

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There is no change in the status of contingencies as disclosed in the published annual financial statements for the year ended December 31, 2018, except as follows:

For tax year 2013, an amended assessment order has been passed under section 122(5A) of the Income Tax Ordinance, 2001 by the Additional Commissioner Inland Revenue, raising a demand of Rs 17.39 million dated June 28, 2019. In pursuance of such order, company has filed an appeal before Commissioner Appeals which is pending for hearing.

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
		(Rupees in '000)	

13.2 Commitments

Net-future sale transactions of equity securities entered into by the Company in respect of which the settlement is outstanding	46,384	-

The Company has entered into Ijarah arrangements for vehicles with Bankislami Pakistan Limited. The aggregate amount of commitments against these arrangements are as follows:

Not later than one year	2,587	2,587
Later than one year but not later than five years	2,766	4,701
	5,353	7,288

	Nine Month ended September 30		Quarter ended September 30	
	2019	2018	2019	2018
	(Rupees in '000)			
14. OPERATING REVENUE				
Brokerage	128,470	134,780	39,814	42,377
Subscription research income	329	3,501	129	72
Custody services	2,526	2,486	603	832
	131,325	140,767	40,546	43,281
15. MARK-UP / PROFIT ON BANK DEPOSITS, AND OTHER RECEIVABLES				
Profit on bank deposits	52,324	29,857	19,621	9,793
Margin finance income	9,621	10,035	1,949	3,446
Others	134	126	46	44
	62,079	40,018	21,616	13,283

16. RELATED PARTY TRANSACTIONS

The related parties of the Company comprise of BankIslami Pakistan Limited (the Parent Company), associated undertakings (including companies under common directorship), director, key management personnel and its employee benefit plans. The balances with related parties as at September 30, 2019 and December 31, 2018 and transactions with related parties during the period ended September 30, 2019 and September 30, 2018 are as

	As at September 30, 2019 (Un-audited)					
	Parent Company	Subsidiary/ Associates	Directors	Key Management Personnel	Others	Total
	(Rupees in '000)					
BALANCES						
Accrued mark-up	136	-	-	-	-	136
Bank balances	210,373	-	-	-	-	210,373
Ijarah deposits	1,462	-	-	-	-	1,462
Ijarah rental payable	575	-	-	-	-	575
Long-term financing	150,000	-	-	-	-	150,000
Profit receivable on bank deposit	2,514	-	-	-	-	2,514
Trade debts	624	2	28	-	-	654
Liability against asset subject to finance lease	2,833	-	-	-	-	2,833
Trade payables	-	-	-	6	273	279

	As at December 31, 2018 (Audited)					
	Parent Company	Subsidiary/ Associates	Directors	Key Management Personnel	Others	Total
	(Rupees in '000)					
BALANCES						
Accrued mark-up	110	-	-	-	-	110
Bank balances	217,474	-	-	-	-	217,474
Ijarah deposits	1,462	-	-	-	-	1,462
Ijarah rental payable	514	-	-	-	-	514
Long-term financing	150,000	-	-	-	-	150,000
Profit receivable on bank deposit	633	-	-	-	-	633
Rent payable	525	-	-	-	-	525
Advance against settlement of ijarah	3,262	-	-	-	-	3,262
Short term loan	100,000	-	-	-	-	100,000
Trade debts	66	-	1	-	-	67
Trade payables	-	1	117	24	-	142

	Nine Months ended September 30, 2019 (Un-audited)					
	Parent Company	Subsidiary/ Associates	Directors	Key Management Personnel	Others	Total
	(Rupees in '000)					
TRANSACTIONS						
Income						
Brokerage income earned	684	-	-	5	2	691
Custody services-net	4	3	-	-	-	7
Profit on bank deposits	15,995	-	-	-	-	15,995
Expenses						
Bank charges	106	-	-	-	-	106
Charge in respect of contributory plan	-	-	-	404	3,532	3,936
Mark-up expense	18,364	-	-	-	-	18,364
Meeting fee	-	-	660	-	-	660
Remuneration to key management personnel	-	-	-	12,358	-	12,358
Ijarah expense	1,940	-	-	-	-	1,940
Rent expense	1,018	-	-	-	-	1,018
Other transaction						
Short term loan obtained	307,000	-	-	-	-	307,000
Advance against right to use asset	442	-	-	-	-	442
Short term loan repaid	407,000	-	-	-	-	407,000
Purchase of vehicle	3,262	-	-	-	-	3,262

	Nine Months ended September 30, 2018 (Un-audited)					
	Parent Company	Subsidiary/ Associates	Directors	Key Management Personnel	Others	Total
	(Rupees in '000)					
TRANSACTIONS						
Income						
Brokerage income earned	672	11	-	50	-	733
Custody services-net	4	1	2	-	-	7
Markup income	-	-	-	8	-	8
Profit on bank deposits	7,005	-	-	-	-	7,005
Expenses						
Bank charges	79	-	-	-	-	79
Charge in respect of contributory plan	-	-	-	-	4,710	4,710
Mark-up expense	10,697	-	-	-	-	10,697
Meeting fee	-	-	840	-	-	840
Remuneration to key management personnel	-	-	-	17,558	-	17,558
Reimbursement of expenses	-	2	-	-	-	2
Ijarah expense	2,791	-	-	-	-	2,791
Rent expense	946	-	-	-	-	946

17. OTHER DISCLOSURES UNDER REGULATION 34(2) OF SECURITIES BROKERS (LICENSING AND OPERATIONS) REGULATIONS 2016:

The disclosures under the regulation 34(2), other than disclosed elsewhere in these condensed financial information are as follows:

17.1 Person holding more than 5% of shares

	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
	% of Holding		No. of Shares	
M/s. BankIslami Pakistan Limited	**77.12%**	77.12%	**77,117,500**	77,117,500
Mrs. Noor Jehan Bano	**6.54%**	6.54%	**6,535,500**	6,535,500
Mr. Mohammad Aslam Motiwala	**7.38%**	7.31%	**7,383,000**	7,314,500

7.2 During the period Mr Aslam Motiwala purchased 68,500 shares of the holding company.

7.3 As at September 30, 2019 the value of customer shares maintained with the holding company pledged with financial institutions is Rs 75.56 million (December 31, 2018: Rs 87.65 million).

7.4 As at September 30, 2019 value of customers shares maintained in the holding company's Sub-Accounts held in the Central Depository Company of Pakistan Limited is Rs 10,748 million (December 31, 2018: Rs 12,422 million).

18. DATE OF AUTHORISATION

These condensed Interim Financial Information have been authorised for issue by the Board of Directors of the Company on October 17, 2019.

19. GENERAL

19.1 Figures have been rounded off to the nearest thousand of rupees.

Chief Executive Officer

Director

Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

Consolidated Condensed Interim Statement Of Financial Position

Consolidated Condensed Interim Statement Of Profit And Loss Account And Other Comprehensive Income

Consolidated Condensed Interim Cash Flow Statement

Consolidated Condensed Interim Statement Of Changes In Equity

Notes To The Consolidated Condensed Interim Financial Information

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019

	Note	(Un-Audited) September 30, 2019	(Audited) December 31, 2018
		---------------(Rupees in '000)---------------	
ASSETS			
Non-current assets			
Property and equipment		56,871	39,472
Intangible assets		4,418	4,775
Long-term investments		310,607	486,939
Long-term loans and advances		685	158
Long-term deposits and prepayments		23,108	23,017
Deferred tax asset - net		77,858	66,276
		473,547	620,637
Current assets			
Short-term investments		46,562	-
Trade debts		143,899	121,988
Advances, deposits, prepayments and other receivables		360,714	424,369
Taxation - net		120,978	111,693
Cash and bank balances		385,839	547,522
		1,057,992	1,205,572
TOTAL ASSETS		1,531,539	1,826,209
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital		2,000,000	2,000,000
Issued, subscribed and paid-up capital		1,000,000	1,000,000
General reserve		18,752	18,752
Unrealised gain/ (impairment loss) on re-measurement of investment at 'fair value through other comprehensive income'	3.1.5	93,343	301,304
Accumulated loss		(425,197)	(445,791)
		686,898	874,265
Non-current liabilities			
Long-term financing-secured		150,000	150,000
Liability against asset subject to finance lease	3.3	12,273	-
		162,273	150,000
Current liabilities			
Trade and other payables		673,479	700,430
Short term financing-secured		-	100,000
Current maturity of liability against asset subject to finance lease	3.3	7,419	-
Unclaimed dividend		1,404	1,404
Accrued mark-up		66	110
		682,368	801,944
TOTAL EQUITY AND LIABILITIES		1,531,539	1,826,209

CONTINGENCIES AND COMMITMENTS

The annexed notes 1 to 9 form an integral part of these Consolidated Condensed Interim Financial Information.

Chief Executive Officer | Director | Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Nine months ended September 30,		Quarter ended September 30,	
	2019	2018	2019	2018
	(Rupees in '000)			
Operating revenue	131,325	140,767	40,546	43,281
Net gain on investment				
Gain on sale of investments 'at fair value through profit and loss' - net	9,409	11,435	2,989	4,057
Reversal of impairment of held for trading investments	5,000	-	-	-
Unrealised gain on re-measurement of investments 'at fair value through profit or loss' -net	266	(2,734)	496	(2,291)
	14,675	8,701	3,485	1,766
Dividend income	-	84	-	-
Mark-up / profit on bank deposits and other receivables	62,105	40,045	21,623	13,292
	208,105	189,597	65,654	58,339
Operating and administrative expenses	(229,044)	(232,110)	(75,163)	(78,224)
(Provision) / reversal against doubtful debts-net	(3,293)	39	574	1
	(232,337)	(232,071)	(74,589)	(78,223)
Operating loss	(24,232)	(42,474)	(8,935)	(19,884)
Finance cost	(19,435)	(10,972)	(7,000)	(3,831)
	(43,667)	(53,446)	(15,935)	(23,715)
Other income	1,275	8,183	(834)	2,772
Loss before taxation	(42,392)	(45,263)	(16,769)	(20,943)
Taxation				
Current	(4,308)	(17,704)	(1,968)	(1,794)
Deferred	18,325	31,464	5,605	4,466
	14,017	13,760	3,637	2,672
Loss after taxation	(28,375)	(31,503)	(13,132)	(18,271)
Other comprehensive income for the period:				
Unrealised (loss) / gain arising during the period on re-measurement of investment at fair value through other comprehensive income - net	(176,332)	49,492	(246,406)	6,096
Total comprehensive (loss) / income for the period	(204,707)	17,989	(259,538)	(12,175)
	(Rupees)			
Loss per share - basic and diluted	(0.28)	(0.32)	(0.13)	(0.18)

The annexed notes 1 to 9 form an integral part of these Consolidated Condensed Interim Financial Information.

Chief Executive Officer | Director | Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Nine months ended September 30,	
	2019	2018
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(42,392)	(45,263)
Non-cash adjustments to reconcile loss before tax to net cash flows:		
Depreciation	5,774	8,874
Depreciation of right- of- use assets	4,656	-
Ammortisation of intangible assets	438	780
Gain on sale of investments' at fair value through profit and loss' - net	(9,409)	(11,435)
Gain on sale of property and equipment	(1,554)	(1,370)
Unrealised (gain) / loss on re-measurement of investments 'at fair value through profit or loss' - net	(266)	2,734
Provision / (reversal) against doubtful debts-net	3,293	(39)
Provision against long term deposits	136	-
Finance cost	19,435	10,972
Dividend income	-	(84)
	22,503	10,432
	(19,889)	(34,831)
Working capital adjustments:		
Decrease in current assets		
Trade debts	2,336	20,358
Advances, deposits, prepayments and other receivables	60,240	142,928
	62,576	163,286
Decrease in current liabilities		
Trade and other payables	(26,951)	(175,909)
	15,736	(47,454)
Finance cost paid	(18,940)	(10,973)
Income tax paid	(13,593)	(26,962)
Net cash flows used in operating activities	(16,797)	(85,389)
CASH FLOW FROM INVESTING ACTIVITIES		
Investments 'at fair value through profit or loss' - net	(36,887)	72,169
Purchase of property and equipment	(7,215)	(2,609)
Purchase of intangible assets	(81)	-
Proceeds from disposal of property and equipment	6,581	1,872
Dividend received	-	84
Net cash flows (used in) / generated from investing activities	(37,602)	71,517
CASH FLOW FROM FINANCING ACTIVITIES		
Long-term loans and advances	(527)	97
Long-term deposits and prepayments	(270)	(7,664)
Liability against asset subject to finance lease	(6,487)	-
Repayment of short term financing	(100,000)	-
Net cash flows used in financing activities	(107,284)	(7,567)
Net decrease in cash and cash equivalents	(161,683)	(21,439)
Cash and cash equivalents at the beginning of the period	547,522	498,382
Cash and cash equivalents at the end of the period	385,839	476,943

The annexed notes 1 to 9 form an integral part of these Consolidated Condensed Interim Financial Information.

Chief Executive Officer | Director | Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Share Capital	General Reserve	Accumulated Loss	Unrealised gain / (impairment loss) on re-measurement of investment at 'fair value through other comprehensive income'	Total
	(Rupees in '000)				
Balance as at January 01, 2018	1,000,000	18,752	(418,832)	325,065	924,985
Total comprehensive income for the period	-	-	(31,503)	49,492	17,989
Balance as at September 30, 2018	1,000,000	18,752	(450,335)	374,557	942,974
Total comprehensive loss for the period	-	-	4,544	(73,253)	(68,709)
Balance as at December 31, 2018 (previously reported)	1,000,000	18,752	(445,791)	301,304	874,265
Reclassification of impairment loss due to initial application of IFRS-9 (Note 3.1.5)	-	-	31,629	(31,629)	-
Adjustment of initial application of IFRS-9 (net of tax) (Note 3.1.5)	-	-	17,340	-	17,340
Balance as at December 31, 2018 (adjusted)	1,000,000	18,752	(396,822)	269,675	891,605
Total comprehensive loss for the period	-	-	(28,375)	(176,332)	(204,707)
Balance as at September 30, 2019	1,000,000	18,752	(425,197)	93,343	686,898

The annexed notes 1 to 9 form an integral part of these Consolidated Condensed Interim Financial Information.

Chief Executive Officer	Director	Chief Financial Officer

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

1. STATUS AND NATURE OF BUSINESS

The Group comprises of:
- Holding Company-BIPL Securities Limited (BIPLS)
- Subsidiary Company-Structured Venture (Private) Limited (SVPL)

1.1 BIPLS was incorporated in Pakistan on October 24, 2000 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and commenced its operations effective January 1, 2003, on the transfer of assets and liabilities of the securities segment of the then Khadim Ali Shah Bukhari and Company Limited under a Scheme of Arrangement approved by the High Court of Sindh. The shares of the holding company are listed on the Pakistan Stock Exchange Limited (PSX). The registered office of the holding company is situated at 5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi.

1.2 The Group is owned by BankIslami Pakistan Limited (the Ultimate Parent Holding Company) which holds 77.12% of the shares of the Group.

The Ultimate Parent Company has released public information on April 24, 2019 pertaining to BIPL Securities Limited, (in which board of parent had authorized the bank to explore and evaluate the strategic option including divestment of shares held in BIPL Securities Limited.

1.3 The Holding Company is a TREC holder of the Pakistan Stock Exchange Limited (PSX) and Corporate member of Pakistan Mercantile Exchange Limited (PMEX) and is principally engaged in the business of stocks, money market, foreign exchange and commodity broking. Other activities include investment in a mix of listed and unlisted equity and debt securities, economic research and advisory services.

Subsidiary company was incorporated in Pakistan on June 25, 2010 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the Holding Company is situated at 5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi.

Subsidiary is wholly owned by BIPL Securities Limited.

Subsidiary's core objective is to capitalize opportunities across different asset classes, including but not limited to, commodities, structured products, real estate etc. In addition, the company can, subject to regulatory approvals, invest / participate in selected local and foreign business ventures.

At present, SVPL has no operational activities, except to pursue legal case against M/s Noor Developer (Private) Limited (the Developer) for the purchase of investment property of Rs 375 million and as a matter of prudence SVPL has fully impaired such investment in its financial statements. Further, it has also fully provided its investment in New horizon Exploration and Production Limited amounting to Rs 81 million. These amounts constituted 99% of total assets of SVPL. SVPL does not have sufficient cashflows, equity and other means to operate the company, therefore the board of directors of SVPL have decided to prepare SVPL's financial information on other than going concern basis (net realisable basis).

The Carrying value of assets and liabilities of the Company as at September 30, 2019 is equivalent to the realizable value.

2. BASIS OF PREPARATION

2.1 These consolidated condensed interim financial information of the Group for the period ended September 30, 2019 have been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting" and provisions of the Companies Act, 2017 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements differ, the provisions of the Companies Act, 2017 and the said directives have been followed.

2.2 These consolidated condensed interim financial information do not include all the information and disclosures required in the Annual Financial Statements, and should be read in conjunction with the Group's Annual Financial Statements for the year ended December 31, 2018.

2.3 These consolidated condensed interim financial information are un-audited.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these consolidated condensed interim financial statements are same as those applied in the preparation of the financial statements of the Group for the year ended December 31, 2018 other than those disclosed below:

The Group has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current period.

Standard or Interpretation
IFRS 9 - Financial Instruments
IFRS 9 - Prepayment Features with Negative Compensation - (Amendments)
IFRS 16 - Leases
IFRS 15 - Revenue from Contracts with Customers
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)
IAS 28 - Long term Interests in Associates and Joint Ventures - (Amendments)
IFRIC 23 - Uncertainty over Income Tax Treatments

The adoption of the above accounting standard and interpretation did not have any material effect on these consolidated condensed interim financial statements except as described in note 3.1, 3.2 and 3.3.

3.1 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The said standard has been adopted by SECP and effective for companies with reporting periods ending on or after 30 June 2019.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

3.1.1 Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. The adoption of IFRS 9 has not had a significant effect on the group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortized cost; Fair Value through Other Comprehensive Income (FVOCI); or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model under which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

It is held within a business model whose objective is both, to hold assets to collect contractual cash flows and selling the financial asset; and

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI i.e. FVOCI. This election is made on an instrument-by-instrument basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method. Foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Business model assessment:

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

• the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

• how the performance of the portfolio is evaluated and reported to the Group's management;

• the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about the future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The Group's existing financial assets at the date of the initial application of IFRS 9 on 1 January 2019 have been reviewed and assessed, and as a result:

• the Group's trade receivables and other receivables portfolio meeting the required criteria have been classified as financial assets at amortized cost;

• the Group's investment in equity instruments that are held for trading meeting the required criteria have been designated as fair value through profit and loss (FVTPL);

• the Group has made an irrevocable election for investments in equity instruments that are not held for trading to be designated as fair value through other comprehensive income (FVOCI);

3.1.2 Classification and measurement of financial liabilities:

Financial liabilities previously measured at amortized cost under IAS 39 have been classified and measured under IFRS 9 at amortized cost. There have been no changes in the classification and measurement of financial liabilities on the adoption of IFRS 9.

3.1.3 Impairment of financial assets

The standard introduces a new single model for the measurement of impairment losses on all financial assets including financing and investments measured at amortized cost or at fair value through OCI. The IFRS 9 expected credit loss (ECL) model replaces the current "incurred loss" model of IAS 39.

The ECL model applies to trade receivables, debt instruments accounted for at amortized cost or at FVTOCI, most loan commitments, financial guarantee contracts, and lease receivables under IFRS 16 Leases.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets, the ECL is based on the 12-month ECL. The ECL model contains a three stage approach which is based on the change in credit quality of financial assets since initial recognition. The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

3.1.4 Hedge accounting

Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, will often be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measurable.

The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging. More designations of Group's of items as the hedged item are possible, including layer designations and some net positions.

The application of IFRS 9 has had no impact on the hedge accounting as the Group does not have any hedge instruments.

3.1.5 Transition impact

In line with IFRS 9 transition provisions, the Group has elected to record any adjustment to its opening 1 January 2019 retained earnings to reflect the application of the new requirements of classification and measurement, and impairment at the date of adoption without restating comparative information.

For classification and measurement, the combined application of the contractual cash flow characteristics and business model tests as at 1 January 2019 is expected to result in certain differences in the classification of financial assets when compared to our current classification under IAS 39.

For impairment, the application of ECL model is expected to result in loss allowance as at 1 January 2019 which is lower than provision for doubtful debt as at 31 December 2018.

The impact of the adoption on the opening retained earnings, that relates solely to the new impairment requirements, at the beginning of the current year (1 January 2019) is as follows:

	Carrying Amount - Rs in 000s		Provision - Rs in 000s		
	IAS 39	IFRS 9	IAS 39	IFRS 9	Impact on Retained Earning
Long-term deposits	22,963	22,963	-	(42)	(42)
Trade debts	218,606	218,606	(96,618)	(69,078)	27,540
Short term deposits	327,230	327,230	-	(2,100)	(2,100)
Short term other receivables	86,390	86,390	-	(1,315)	(1,315)
					24,083
Tax adjustment (28%)					6,743
Net impact					17,340

Reclassification of impairment loss due to initial application of IFRS-9 of New Horizon Exploration and Production Limited

	(Rupees in '000)
Accumulated loss	31,629
Unreallized gain/ (impairment loss)	(31,629)
Net Impact on Equity	-

The following table reconciles and explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the class of the Group's financial assets as at 1 January 2019.

	Classification		Carrying Amount - Rs in 000s	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Pakistan Stock Exchange Limited	AFS	FVOCI	21,752	21,752
Al Jomaih Power Limited	AFS	FVOCI	465,187	465,187
New Horizon Exploration and Production Limited	AFS	FVOCI	-	-
Long term loan to employees	Loan & receivables	Amortized cost	158	158
Current portion of loan to employees	Loan & receivables	Amortized cost	998	998
Long-term deposits	Loan & receivables	Amortized cost	22,963	22,963
Short term investments-listed shares	HFT	FVTPL	-	-
Trade debts	Loan & receivables	Amortized cost	218,606	218,606
Short term deposits	Loan & receivables	Amortized cost	327,230	327,230
Short term other receivables	Loan & receivables	Amortized cost	86,390	86,390

3.2 Financial assets

Non-Derivative Financial Assets

From 1 January 2019, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group initially recognises financial assets on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Group is recognised as a separate asset or liability.

The Group has the following non-derivative financial assets.

Financial Assets at Amortized Cost

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortized cost. A gain or loss on a debt investment subsequently measured at amortized cost and not part of a hedging relationship is recognised in the profit and loss account when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Financial Assets at fair value through other comprehensive income (FVOCI)

Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the profit and loss account. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. When the financial asset, other than equity instrument, is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the profit and loss account and recognised in other gains / (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income / expense.

Financial assets at fair value through profit or loss (FVTPL)

Equity investments that are held for trading are classified as investments at FVTPL are carried at fair value. Gain / loss on remeasurement of such investments to fair value is recognised in the profit and loss account.

The fair value of those investments representing listed equity and other securities i.e. debt instruments, are determined on the basis of year-end prices obtained from stock exchange quotations.

Derivatives

Derivative instruments held by the group primarily comprise of future contracts in the capital market. These are initially recognised at fair value and are subsequently remeasured at fair value. The fair value of future contracts is calculated as being the net difference between the contract price and the closing period reported on the primary exchange of the future in the profit and loss account. Derivative financial instrument contracts entered into by the group do not meet the hedging criteria as defined by International Financial Reporting Standard (IFRS) '9: 'Financial Instruments'. Consequently hedge accounting is not being applied by the group.

Impairment

Non-Derivative Financial Assets

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments as part of its financial assets, carried at amortized cost and FVOCI. For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, receivables have been companied based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate. Other financial assets such as employees' receivables and bank balances have low credit risk and the impact of applying ECL is immaterial.

Non-Financial Assets

The carrying amount of non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a company of assets. If any such indication exists, the recoverable amount of that asset is estimated, and impairment losses are recognized in the profit and loss account.

Trade and other receivables

Trade debts and other receivables are classified as financial assets at amortized cost and are recognized at fair value and subsequently measured at amortized cost. A provision for impairment based on forward-looking expected credit losses in trade and other receivables is made.

3.3 IFRS 16 Leases

During the current year, the group have adopted IFRS 16 as issued by the International Accounting Standards Board (IASB) in January 2016.

IFRS 16 supersedes 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". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the group is the lessor.

The Group has lease contracts for its branches. Before the adoption of IFRS 16, the group classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under 'Short term deposits and prepayments' and 'Creditors, accrued expenses and other liabilities', respectively.

Upon adoption of IFRS 16, the group initially recognized a lease liability for the obligation to make lease payments and a right-of-use (RoU) asset for the right to use the underlying asset for the lease term against a consideration. The lease liability is measured at the present value of the consideration (lease payments) to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. The RoU asset is initially measured at the present value of lease liability, adjusted for lease prepayments and borrowing costs.

The Group has adopted modified retrospective approach for transition to IFRS 16, accordingly the group elected not to restate the comparative figures and not to adjust the opening unappropriated profit.

The Group also applied the available practical expedients wherein it:

Used a single discount rate to a portfolio of leases with reasonably similar characteristics.

Relied on its assessment of whether leases are onerous immediately before the date of initial application.

Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Summary of new acc ounting policies in respect of adoption of IFRS 16

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight- line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options:

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of one to three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of Group's branches due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one to three years) and there will be a significant negative effect on operations if a replacement is not readily available.

The overall impact of the intial application of IFRS 16 on these condensed interim consolidated financial statements is summarised below:

Right of Use (RoU) assets recognised as Fixed assets - increased by Rs. 5.59 million.

Lease liabilities recognised as Liabilities subject to finance lease - increased by Rs. 4.63 million.

Profit after tax for the nine months ended September 30, 2019 decreased by Rs. 0.51 million.

Had this standard not been applied, assets and liabilities would have been lower by Rs. 20.98 million and Rs. 19.69 million respectively. Rent expense would have been higher by Rs. 4.84 million and depreciation charge and finance cost on lease liability would have been lower by Rs. 4.66 million and Rs. 0.89 million respectively.

The Group has obtained ijarah financing of vehicles as a lessee under IFAS-2, therefore group has not adopted IFRS-16 on such financing.

4 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these consolidated condensed interim financial information requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectation of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended December 31, 2018.

Judgements and estimates made by the management in the preparation of these consolidated condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended December 31, 2018 except for implementation of IFRS 9 and IFRS 16 as stated above.

5 BASIS OF CONSOLIDATION

The Financial information of the subsidiary are included in the consolidated financial information from the date of the control commences until the date control ceases. In preparing consolidated financial information, the financial information of the Holding Company and the subsidiary are consolidated on a line by line basis by adding together the items of assets, liabilities, income and expenses. All intergroup transactions have been eliminated.

6 RELATED PARTY TRANSACTIONS

The related parties of the Group comprise of BankIslami Pakistan Limited (the Ultimate Parent Company), associated undertakings (including companies under common directorship), employee benefit plans and its key management personnel. The balances with related parties as at September 30, 2019 and December 31, 2018 and transactions with related parties during the period ended September 30, 2019 and September 30, 2018 are as follows:

	As at September 30, 2019 (Un-audited)					
	Ultimate Parent Company	Subsidiary/ Associates	Directors	Key Management Personnel	Others	Total
	(Rupees in '000)					
BALANCES						
Accrued mark-up	136	-	-	-	-	136
Bank balances	211,235	-	-	-	-	211,235
Ijarah deposits	1,462	-	-	-	-	1,462
Ijarah rental payable	575	-	-	-	-	575
Long-term financing	150,000	-	-	-	-	150,000
Profit receivable on bank deposit	2,517	-	-	-	-	2,517
Trade debts	624	2	28	-	-	654
Liability against asset subject to finance lease	2,833	-	-	-	-	2,833
Trade payables	-	-	-	6	273	279

	Ultimate Parent Company	Subsidiary/ Associates	Directors	Key Management Personnel	Others	Total
	As at December 31, 2018 (Audited)					
	(Rupees in '000)					
BALANCES						
Accrued mark-up	110	-	-	-	-	110
Bank balances	218,835	-	-	-	-	218,835
Ijarah deposits	1,462	-	-	-	-	1,462
Ijarah rental payable	514	-	-	-	-	514
Long-term financing	150,000	-	-	-	-	150,000
Profit receivable on bank deposit	637	-	-	-	-	637
Rent payable	525	-	-	-	-	525
Advance against settlement of ijarah	3,262	-	-	-	-	3,262
Short term loan	100,000	-	-	-	-	100,000
Trade debts	66	-	1	-	-	67
Trade payables	-	1	117	24	-	142

	Ultimate Parent Company	Subsidiary/ Associates	Directors	Key Management Personnel	Others	Total
	Nine Months ended September 30, 2019 (Un-audited)					
	(Rupees in '000)					
TRANSACTIONS						
Income						
Brokerage income earned	684	-	-	5	2	691
Custody services-net	4	3	-	-	-	7
Profit on bank deposits	16,022	-	-	-	-	16,022
Expenses						
Bank charges	106	-	-	-	-	106
Charge in respect of contributory plan	-	-	-	404	3,532	3,936
Mark-up expense	18,364	-	-	-	-	18,364
Meeting fee	-	-	660	-	-	660
Remuneration to key management personnel	-	-	-	12,358	-	12,358
Ijarah expense	1,940	-	-	-	-	1,940
Rent expense	1,018	-	-	-	-	1,018
Other transaction						
Short term loan obtained	307,000	-	-	-	-	307,000
Advance against right to use asset	442	-	-	-	-	442
Short term loan repaid	407,000	-	-	-	-	407,000
Purchase of vehicle	3,262	-	-	-	-	3,262

	Nine months ended September 30, 2018 (Un-audited)					
	Ultimate Parent Company	Subsidiary/ Associates	Directors	Key Management Personnel	Others	Total
	(Rupees in '000)					
TRANSACTIONS						
Income						
Brokerage income earned	672	11	-	50	-	733
Custody services-net	4	1	2	-	-	7
Markup income	-	-	-	8	-	8
Profit on bank deposits	7,032	-	-	-	-	7,032
Expenses						
Bank charges	79	-	-	-	-	79
Charge in respect of contributory plan	-	-	-	-	4,710	4,710
Mark-up expense	10,697	-	-	-	-	10,697
Meeting fee	-	-	840	-	-	840
Remuneration to key management personnel	-	-	-	17,558	-	17,558
Reimbursement of expenses	-	2	-	-	-	2
Ijarah expense	2,791	-	-	-	-	2,791
Rent expense	946	-	-	-	-	946

7. OTHER DISCLOSURES UNDER REGULATION 34(2) OF SECURITIES BROKERS (LICENSING AND OPERATIONS) REGULATIONS 2016:

The disclosures under the regulation 34(2), other than disclosed elsewhere in these condensed financial information are as follows:

7.1 Person holding more than 5% of shares

	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
	% of Holding		No. of Shares	
M/s. BankIslami Pakistan Limited	**77.12%**	77.12%	**77,117,500**	77,117,500
Mrs. Noor Jehan Bano	**6.54%**	6.54%	**6,535,500**	6,535,500
Mr. Mohammad Aslam Motiwala	**7.38%**	7.31%	**7,383,000**	7,314,500

7.2 During the period Mr Aslam Motiwala purchased 68,500 shares of the holding company.

7.3 As at September 30, 2019 the value of customer shares maintained with the holding company pledged with financial institutions is Rs 75.56 million (December 31, 2018: Rs 87.65 million).

7.4 As at September 30, 2019 value of customers shares maintained in the holding company's Sub-Accounts held in the Central Depository Company of Pakistan Limited is Rs 10,748 million (December 31, 2018: Rs 12,422 million).

8. DATE OF AUTHORISATION

These consolidated condensed Interim Financial Information have been authorised for issue by the Board of Directors of the holding company on October 17, 2019.

9. GENERAL

9.1 Figures have been rounded off to the nearest thousand of rupees.

Chief Executive Officer	Director	Chief Financial Officer

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