

FAIRWAY SECURITIES PRIVATE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

DIRECTORS' REPORT

The Board of Directors of Fairway Securities (Private) Limited ("the Company" or "Fairway") is pleased to present the Annual Report of 2019 along with the audited financial statements of the Company for the year ended June 30, 2019. Fairway is a leading brokerage house of Pakistan that provides a complete range of stock brokerage and financial services to a substantial and diversified clientele that includes Government institutions, private sector corporations, retail clients and high net worth individuals.

Overall Economy

Pakistan's GDP registered growth is 3.30% in FY19 vs. 5.80% recorded last year but still behind regional players. The Agriculture sector which grew by 0.85% during FY19 as compared to 3.81% in FY18. The services sector that expanded by 4.71% vs. 3.80% in FY18. Industrial sector grew at 1.40% vs. 5.80% in FY18. LSM sector shows slight and grew by 2.06% in FY 19 as compared to 3.8% in FY 18.

The fiscal deficit rose to 8.9% of GDP during FY 19 as compared to target of 4.9%, and 6.6% in FY 18 of GDP. The pace of tax collection grows up considerably to 12.3 percent, from 14.1 percent growth recorded in FY18, as compared to 14.4% growth recorded in FY17. Within FBR taxes, the growth in direct and indirect tax collection decelerated to 14.3 percent and 6.5 percent during FY18 from their respective growth rates of 14.3 percent and 6.5 percent in FY18. The decline in tax collection was partly a consequence of poor performance of exporting industries, agriculture and investment in the economy. The tax to GDP ratio in FY19 was also significantly lower 13.9 % compared to 12 percent target for the year. Despite the increase in tax revenues in absolute term, FBR tax to GDP ratio varied between 12.6%. The foreign Exchange reserves declines to US\$14.48bn in FY19 against US\$16.38bn in FY18.

Stock Market

The Pakistan Stock Exchange was formed on January 11, 2016 after the merger of three stock exchanges Lahore Stock Exchange, Islamabad Stock Exchange & Karachi Stock Exchange but no major effect on revenue because the 95% of the trading was already done in Karachi stock exchange.

The Pakistan Stock Exchange decreased 8,223 points during the year due to political unrest and unfavorable market conditions, where average traded volume during the year stood at 23.58 billion shares valuing Rs.1.275 trillion declined in comparison to FY18 (54.45%) of traded volume 43.30 billion shares & (50.70%) of traded value Rs.2.027 trillion. Apart from key blue chips, few side board scripts gain investors' attention owing to their improving fundamentals during the period under review.

In December 2016, a consortium led by the China Financial Futures Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange won the bid to purchase a 40% stake in the Pakistan Stock Exchange. There is a welcome development and is expected to lead to increased interest from China's investors in Pakistan's equity markets.

The Pakistan Stock Exchange witnessed overall bearish momentum during the year and shows the sign of recovery in the last quarter of the financial year.

COMPANY'S PERFORMANCE

Given below is the financial summary of the Company, for the year ended June 30, 2019.

	2019	2018
Brokerage and operating income	3,851,869	7,518,957
Profit/ (Loss) after tax	(24,817,682)	(25,283,770)
Earnings Per Share (EPS)	(2.48)	(2.53)

The company incurred loss of Rs.24.818 due to decrease in revenues and EPS of (2.48) million during the FY 2018-2019 due to decrease in revenue up to Rs.3.677 million. The main cause of decrease in revenues due to strict regulatory measures was taken by the Pakistan Stock Exchange, Securities & Exchange Commission of Pakistan, monetary tightening in response to correct the balance of payments and reduce the overall loan burden from economy.

The management of the company is hopeful to increase revenues in next financial year due to amendments in existing laws, regulations and familiarization of new laws relating to Anti-Money Laundering.

FUTURE OUTLOOK

We are expecting improvement in the economy and better activity in capital markets. The management of the Company is committed to increase revenues and reduce business costs by aggressive marketing and taking strict financial measures.

PAYOUT FOR THE SHAREHOLDERS

Considering above stated factors, the Board of Directors does not recommend any payout this year.


 Chief Executive



September 30, 2019

Independent Auditor's Report to the members of FAIRWAY SECURITIES (PRIVATE) LIMITED
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **FAIRWAY SECURITIES (PRIVATE) LIMITED**, which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss and statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the loss, total comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the other information. The other information comprises the Directors' Report.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

