AKD CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. THE COMPANY AND ITS OPERATIONS

1.1 AKD Capital Limited ("the Company") was incorporated as a Public Limited Company in the year 1936 under Companies Act, 1913 (Now the Companies Act, 2017). Shares of the Company are quoted on the Pakistan Stock Exchange Limited. The Company is engaged in the business of real estate / providing consultancy, projects financing and management, investment in listed securities and to engage in leasing. The registered office of the Company is situated at 618, Continental Trade Center, Clifton, Karachi.

1.2 These financial statements have reported net loss for the year amounting to Rupees 2.584 million. The Company's net assets position and other financial indicators depict a healthy financial position as at the reporting date. However, the Company's primary commercial operations i.e. to deal in real estate projects, providing consultancy services, projects financing and management etc remained at halt for some years due to economic conditions prevailing in the Country and other ancillary reasons. This situation indicates the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, the management is proactively considering new business avenues and looking for different options. The Company has been successful in securing contracts from construction venture for provision of consultancy services. During the year, the Company has renewed the contracts for another three years with expiry date of 30 June 2023 for providing infrastructure consultancy and entered into the agreement of Rupees 25 million against which services are being rendered. The Company is also exploring other construction projects and business opportunities to enhance its revenues in the coming years. The Company has also invested its surplus funds in a housing scheme company from which lucrative returns are expected in the coming years. The sponsor directors and management of the Company are committed to the viable and profitable commercial operations of the Company in the ensuing financial year and, based upon the future financial projections, strongly believe that the Company will continue as a going concern.

These financial statements, therefore, have been prepared on going concern basis and do not include any adjustment relating to the realization of its assets and liquidation of any liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PREPRARATION

2.1 Statement of Compliance

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

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

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for the certain financial instruments carried at fair value.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with the approved accounting and reporting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Financial instruments - Fair value

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on conditions existing at reporting date.

Useful lives, patterns of economic benefits and impairment

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property and equipment, with a corresponding effect on the depreciation charge and impairment.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgment. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

4. NEW OR AMENDMENTS TO EXISTING STANDARDS / INTERPRETATIONS AND FORTHCOMING REQUIREMENTS

4.1 Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following standards, interpretations and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2019:

- IFRS 9 (Amendments) 'Financial Instruments'
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- IASB's Annual Improvements to IFRSs: 2015 – 2017 Cycle

The above mentioned accounting standard did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

4.2 Standard and amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are other standard and amendments to published standards that are mandatory for accounting period beginning on or after 01 July 2019 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

4.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2020 or later periods:

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits–this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 1 January 2020 for preparers that develop an accounting policy based on the Framework.

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets') effective for the annual period beginning on or after 1 January 2022 amends IAS 1 'Presentation of Financial Statements' by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 'Property, Plant and Equipment') effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:

IFRS 9 'Financial Instruments' – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

The above amendments and improvements do not have a material impact on the financial statements.

4.4 Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2020 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

5. SUMMARY OF ACCOUNTING POLICIES

5.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of property and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss and other comprehensive income during the period in which they are incurred.

Depreciation

Depreciation is charged to statement of profit or loss and other comprehensive income applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 6. The Company charges the depreciation on additions from the date when the asset is available for use and on deletions up to the date when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

De-recognition

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of profit or loss and other comprehensive income in the year the asset is de-recognized.

5.2 Investments and other financial assets

a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortized cost

The classification depends on the Company'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 the statement of profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, 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. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in statement of profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income.

Fair value through other comprehensive income (FVTOCI)

Financial assets that are 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 FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognized in the statement of profit or loss and other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/ (other expenses) and impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income.

Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognized in the statement of profit or loss and other comprehensive income and presented net within other income / (other expenses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

Fair value through other comprehensive income (FVTOCI)

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Fair value through profit or loss

Changes in the fair value of equity investments at fair value through profit or loss are recognized in other income/ (other expenses) in the statement of profit or loss and other comprehensive income as applicable.

Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

5.3 Financial liabilities - Classification and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss and other comprehensive income. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss and other comprehensive income. Any gain or loss on de-recognition is also included in profit or loss.

5.4 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

5.5 De-recognition of financial assets and liabilities

a) Financial assets

The Company derecognizes 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 in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

b) Financial liabilities

The Company derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

5.6 Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

5.7 Trade and other receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Trade receivables generally do not include amounts over due by 365 days.

The Company has applied the simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

5.8 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

5.9 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

5.10 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalent comprise of cash in hand and cash in banks in current and deposit accounts.

5.11 Provisions

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

5.12 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

5.13 Revenue from contracts with customers

Revenue recognition:

a) Rendering of services

Revenue from a contract to provide services is recognized over time as the services are rendered based on either a fixed price or an hourly rate.

b) Dividend

Dividend on equity investments is recognized when right to receive the dividend is established.

5.14 Impairment of non-financial assets

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds the recoverable amount. Impairment losses are recognized in the statement of profit or loss and other comprehensive income. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If there is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the assets in prior year. Such reversal is recognized in the statement of profit or loss and other comprehensive income.

5.15 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

5.16 Share capital

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

5.17 Foreign currencies transactions and translation

All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date, while the transaction is foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non monetary items are translated into Pak Rupees at the exchange rates prevailing on the date of transaction or on the date when fair values are determined. The Company charges all the exchanges differences to statement of profit or loss and other comprehensive income.

5.18 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its stakeholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated if there is any potential dilutive effect on the Company's reported net profits.

6. PROPERTY AND EQUIPMENT

Description	Furniture & fixtures	Office equipment	Computer equipment	Vehicles	Lockers	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
At 30 June 2018						
Cost	3,991,830	1,560,989	1,878,265	5,122,500	41,500	12,595,084
Accumulated depreciation	(2,959,164)	(1,190,574)	(1,862,980)	(4,820,870)	(36,238)	(10,869,826)
Net book value	1,032,666	370,415	15,285	301,630	5,262	1,725,258
Year ended 30 June 2019						
Opening net book value	1,032,666	370,415	15,285	301,630	5,262	1,725,258
Addition - at cost	-	61,655	-	-	-	61,655
Depreciation charge	(103,267)	(41,666)	(5,095)	(60,326)	(526)	(210,880)
Closing net book value	929,399	390,404	10,190	241,304	4,736	1,576,033
At 30 June 2019						
Cost	3,991,830	1,622,644	1,878,265	5,122,500	41,500	12,656,739
Accumulated depreciation	(3,062,431)	(1,232,240)	(1,868,075)	(4,881,196)	(36,764)	(11,080,706)
Net book value	929,399	390,404	10,190	241,304	4,736	1,576,033
Year ended 30 June 2020						
Opening net book value	**929,399**	**390,404**	**10,190**	**241,304**	**4,736**	**1,576,033**
Addition - at cost	-	-	-	-	-	-
Depreciation charge	**(92,940)**	**(39,040)**	**(3,397)**	**(48,261)**	**(474)**	**(184,112)**
Closing net book value	**836,459**	**351,364**	**6,793**	**193,043**	**4,262**	**1,391,921**
At 30 June 2020						
Cost	**3,991,830**	**1,622,644**	**1,878,265**	**5,122,500**	**41,500**	**12,656,739**
Accumulated depreciation	**(3,155,371)**	**(1,271,280)**	**(1,871,472)**	**(4,929,457)**	**(37,238)**	**(11,264,818)**
Net book value	**836,459**	**351,364**	**6,793**	**193,043**	**4,262**	**1,391,921**
Depreciation rate	**10%**	**10%**	**33.33%**	**20%**	**10%**	

6.1 Depreciation is charged to administrative and general expenses (Note 17).

		Note	2020 Rupees	2019 Rupees
7.	**LONG-TERM INVESTMENTS**			
	Equity instruments			
	Investment in equity securities - at 'fair value through other comprehensive income'			
	Related parties			
	AKD REIT Management Company Limited - unquoted 10,000 (2019: 10,000) fully paid ordinary shares of Rupees 10 each. Equity held 0.1% (2019: 0.1%) & Cost of Rupees 100,000 (2019: Rupees 100,000)	7.1	**-**	-
	Creek Developers (Private) Limited - unquoted 9,800 (2019: 9,800) fully paid ordinary shares of Rupees 10 each. Equity held 0.01% (2019: 0.01%) & Cost of Rupees 98,000 (2019: Rupees 98,000)	7.2	**98,000**	98,000
	Others			
	Javedan Corporation Limited - quoted 921,888 (2019: 838,080) fully paid ordinary shares of Rupees 10 each. Equity held 0.3% (2019: 0.3%) & Cost of Rupees 28,063,407 (2019: Rupees 28,063,407)		**20,742,480**	26,826,940
			20,840,480	26,924,940

7.1 Investment in AKD REIT Management Company Limited has been fully provided in prior years. This Company is required to seek prior approval from Securties & Exchange Commmission of Pakistan before disposing of this investments.

7.2 This represents investments in the ordinary shares of Creek Developers (Private) Limited (CDPL) that is in the process of building towers. CDPL is currently classified as a level 3 financial assets and is measured at fair value on reporting dates. However due to volatility in the underlying assumptions relevant to the valuation, there is a wide range of possible fair value measurement and cost is considered to represent the best estimate of fair value within that range. This Company is required to seek prior approval from Defense Housing Authority before disposing of this investment.

8. LONG-TERM DEPOSIT

	Note	2020	2019
Deposit with Pakistan Telecommunication Company Limited	8.1	**20,000**	20,000

8.1 This represents amount deposited with Pakistan Telecommunication Company Limited (PTCL) as security deposit at the time of connection in 2003. The fair value and expected credit loss adjustment in accordance with requirements of IFRS 9 "Financial Instruments" in respect of long term deposits is not considered material and hence not recognized.

9. TRADE DEBTS

	Note	2020	2019
Unsecured & considered good			
Related party	9.1	**7,700,833**	7,631,944
Less: Allowance for expected credit loss			
As at 01 July		**3,134,878**	-
Recognized during the year		**2,350,488**	3,134,878
As at 30 June		**-**	-
		5,485,366	3,134,878
		2,215,467	4,497,066

9.1 As at 30 June 2020, trade debts (net of allowance for expected credit loss) due from the related party amounting to Rupees 1 million (2019: Rupees 4.502 milllion) were past due but not impaired. The aging analysis of these trade debts is as follows:

	Note	2020 Rupees	2019 Rupees
Upto 1 month		-	4,502,386
1 to 6 months		-	-
More than 6 months		**1,000,000**	-
		1,000,000	4,502,386

9.2 As at 30 June 2020, trade debts due from the related party amounting to Rupees 5.201 million (2019: Rupees 3.135 million) were impaired and provided for. The aging of these trade debts were of more than 365 days.

9.3 The maximum aggregate amount receivable from related parties at the end of any month during the year was Rupees 7.2 million (2019: Rupees 7.632 million).

10. OTHER RECEIVABLES

Related Parties - Unsecured & considered good

Creek Developers (Private) Limited (CDPL)	10.1	**4,451,084**	4,094,173

10.1 This represents the balance receivable of allocated share of common expenses.

10.2 The maximum aggregate amount receivable from CDPL at the end of any month during the year was Rupees 4.451 million (2019: Rupees 4.094 million).

11. BANK BALANCES

Cash in bank - current accounts	**161,236**	1,396,302

12. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2020 (Number of shares)	2019 (Number of shares)			
2,138,681	2,138,681	Ordinary shares of Rupees 10 each fully paid in cash	**21,386,810**	21,386,810
368,311	368,311	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**3,683,110**	3,683,110
479	479	Ordinary shares of Rupees 10 each forfeited	**2,813**	2,813
2,507,471	2,507,471		**25,072,733**	25,072,733

12.1 Ordinary shares of the Company held by the associated companies:

	(Number of shares)	
AKD Securities Limited	**57,290**	57,290
Aqeel Karim Dhedhi Securities (Private) Limited - Staff Provident Fund	**249,000**	249,000
	306,290	306,290

13. RESERVES

	Note	2020 Rupees	2019 Rupees
Composition of reserves is as follows:			
Capital reserves			
Share premium	13.1	**20,891,600**	20,891,600
Fair value reserve	13.2	**(7,320,927)**	(1,236,467)
		13,570,673	19,655,133
Revenue reserves			
General reserve		**752,000**	752,000
Accumulated loss		**(14,303,923)**	(11,435,576)
		(13,551,923)	(10,683,576)
		18,750	8,971,557

13.1 This reserve can be utilized by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

13.2 Fair value reserve on 'fair value through other comprehensive income' investments:

	2020 Rupees	2019 Rupees
As at 01 July	**(1,236,467)**	(282,607)
Fair value adjustment made during the year	**(6,084,460)**	(953,860)
As at 30 June	**(7,320,927)**	(1,236,467)

14. TRADE AND OTHER PAYABLES

	2020 Rupees	2019 Rupees
Accrued liabilities	**894,522**	1,159,316
Payable to AKD Securities Limited	**427,196**	55,118
Withholding tax payable	**327,431**	319,289
Zakat payable	**-**	201,811
Provision for workers welfare fund	**294,522**	294,522
	1,943,671	2,030,056

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

a) The Company filed a law suit in the Honorable High Court of Sindh against a consortium based in Lahore by sending legal notice unduly involving the name of the Company which is not correct as per Company's records. In response, the said Consortium also filed a counter law suit on the Company in the same court claiming certain consultancy fees from the Company. The management and the legal counsel of the Company are of the view that based on the legal merits, the said law suits will be disposed of without any financial loss to the Company.

b) In 2012, an individual filed case in the Honorable High Court of Sindh against Defence Housing Authority (DHA) alleging the land belongs to the previous project and designated as amenity plot amd made the Company as pro-forma defendant . Presently, the matter is pending in Honorable High Court of Sindh. The management and its legal counsel are confident that that the Company is not a party to the aforesaid case, therefore, the eventual outcome would be favorable and would not result in any financial loss to the Company.

c) The Company has written back some old liabilities during the year aggregately amounting to Rupees 228,546. In case of demand from creditor in future, the Company will be liable to pay them off.

15.2 Commitments

There were no commitments as at the reporting date (2019: Nil).

16. CONSULTANCY INCOME

The revenue recognized represents the consultancy services rendered to a related party till the reporting date in respect of infrastructure designing of the construction projects.

17. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2020 Rupees	2019 Rupees
Salaries and benefits	17.1	**1,115,575**	1,998,850
Printing and stationery		**5,330**	19,435
Postage and telegram		**3,488**	6,613
Fees, taxes and subscription		**447,008**	598,199
Legal and professional		**614,250**	342,550
Advertisement and publicity		**13,650**	-
Entertainment		**115,550**	125,000
Penalty		**-**	50,000
Auditors' remuneration	17.2	**747,900**	843,480
Depreciation	6.1	**184,112**	210,880
Allowance for expected credit loss	9	**2,350,488**	3,134,878
Office expenses		**56,201**	119,740
Repair and maintenance		**-**	42,969
Bank charges		**2,572**	10,534
		5,656,124	7,503,128

17.1 Remuneration of Directors and Executives

No remuneration and meeting fee have been paid to Chief Executive Officer and Directors during the year (2019: Nil).

17.2 Auditors' remuneration

	2020 Rupees	2019 Rupees
Audit services		
Audit fee	**440,000**	440,000
Half yearly review fee	**130,000**	130,000
	570,000	570,000
Non-audit services		
Code of Corporate Governance review fee	**41,000**	50,000
Other certification	**22,000**	90,000
	63,000	140,000
Out of pocket expenses	**59,500**	71,000
Sindh Sales tax @ 8%	**55,400**	62,480
	747,900	843,480

18. TAXATION

	Note	2020 Rupees	2019 Rupees
Current tax	18.1	**200,000**	441,480
Prior year		**-**	270,000
Deferred tax	18.2	**(259,231)**	75,856
		(59,231)	787,336

18.1 Current tax

The charge for current taxation is based on minimum tax chargeable under section 153(3)(b) of Income Tax Ordinance, 2001 after taking into account applicable tax credits, rebates and exemption available if any.

18.2 Deferred tax	**Note**	**2020 Rupees**	**2019 Rupees**
Debit balance arising in respect of:			
- Available tax losses		**213,240**	-
Credit balance arising in respect of:			
- Accelerated depreciation on property and equipment		**(220,957)**	(259,231)
As at 30 June		**(7,717)**	(259,231)
As at 01 July		**(259,231)**	183,375
Charge available for the year		**251,514**	(75,856)
Unrecognized deferred tax asset		**7,717**	-
Charge for the year		**259,231**	(75,856)

18.2.1 Deferred tax asset as at 30 June 2020 to the extent of Rupees 7,717 has not been recognized as the Company is uncertain about the timing and extent of future taxable profits against which such benefits can be utilized.

18.3 Relationship between tax expense and accounting loss:

Accounting loss before taxation	**(2,927,578)**	(2,459,928)
Tax @ 29% (2019: 29%)	**(848,998)**	(713,379)
Effect of:		
Dividend income subject to fixed rate	-	(76,048)
Accelerated depreciation	**20,395**	17,540
Permanent difference	-	14,500
Liabilities written back	**(66,278)**	-
Allowance for expected credit loss	**681,641**	909,115
Minimum tax	**413,239**	289,752
	200,000	441,480

19. LOSS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic loss per share of the Company which is based on:

Loss for the year **(Rupees)**	**(2,868,347)**	(3,247,264)
Weighted average number of ordinary shares **(Number)**	**2,507,471**	2,507,471
Loss per share - basic & diluted **(Rupees)**	**(1.14)**	(1.30)

20. Reconciliation of movement of liability to cash flows arising from financing activities:

Unclaimed dividend

As at 01 July	**2,478,042**	1,477,925
Dividend declared	-	1,253,496
Dividend paid	**(1,080)**	(253,379)
As at 30 June	**2,476,962**	2,478,042

21. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related companies and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions and balances with related parties are as follows:

	Related party	Relationship with the Company	Nature of transaction and balances	2020 Rupees	2019 Rupees
i.	AKD Securities Limited	Common directorship and 2.28% shareholding	Expenses credited	**372,078**	198,348
			Paid during the year	**-**	123,230
			Balance at year end	**(427,196)**	(55,118)
ii.	Creek Developers (Private) Limited	Common directorship and 0.01% shareholding	Expenses debited	**346,911**	55,771
			Balance at year end	**4,451,084**	4,094,173
iii.	R.A. Enterprises	Sponsor's interest	Consultancy fee	**2,500,000**	4,500,000
			Collection during the year	**2,431,111**	-
			Balance at year end	**2,215,467**	4,497,066

22. FINANCIAL RISK MANAGEMENT

22.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The company is not exposed to this risk because there were no receivables and payables in any foreign currency as at the reporting date. Moreover, no transactions were carried out in any foreign currency during the year.

Sensitivity analysis of functional currency at reporting date is not required due to nil foreign currency nominated financial assets and liabilities at the reporting date.

(ii) Other price risk

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

Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Company's profit after taxation for the year and on equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

Index	Impact on profit after taxation		Impact on equity (fair value reserve)	
	2020 Rupees	2019 Rupees	2020 Rupees	2019 Rupees
KSE 100 (5% increase)	-	-	**1,037,124**	1,341,347
KSE 100 (5% decrease)	-	-	**(1,037,124)**	(1,341,347)

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest bearing liabilities at the reporting date.

b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Long term investments	**20,840,480**	26,924,940
Long-term deposit	**20,000**	20,000
Trade debts	**2,215,467**	4,497,066
Advance to employees	**79,334**	55,000
Other receivables	**4,451,084**	4,094,173
Bank balances	**161,236**	1,396,302
	27,767,601	36,987,481

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Banks	Rating				
	Short Term	Long Term	Agency		
MCB Bank Limited	A1+	AAA	PACRA	**8,172**	1,223,536
United Bank Limited	A-1+	AAA	VIS	**4,179**	4,179
Bank Al-Habib Limited	A1+	AA+	PACRA	**148,885**	168,587
				161,236	1,396,302
Investments					
Creek Developers (Private) Limited	Unknown		-	**98,000**	98,000
Javedan Corporation Limited	A-1	A+	VIS	**20,742,480**	26,826,940
				20,840,480	26,924,940

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

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient bank balance other liquid assets. At 30 June 2020, the Company had Rupees 0.161 million (2019: 1.396 million) bank balance. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2020

	Carrying Amount	Contractual Cash Flows	6 month or less	6 months to 12 months	More than 1 year
	Rupees	Rupees	Rupees	Rupees	Rupees
Trade and other payables	**1,321,718**	**1,321,718**	**1,321,718**	-	-
Unclaimed dividend	**2,476,962**	**2,476,962**	**2,476,962**	-	-
	3,798,680	**3,798,680**	**3,798,680**	-	-

Contractual maturities of financial liabilities as at 30 June 2019

Trade and other payables	1,214,434	1,214,434	1,214,434	-	-
Unclaimed dividend	2,478,042	2,478,042	2,478,042	-	-
	3,692,476	3,692,476	3,692,476	-	-

22.2 Recognized fair value measurements - financial assets

(i) Fair value hierarchy

Judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table:

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
As at 30 June 2020	Rupees	Rupees	Rupees	Rupees
Investments at 'fair value through other comprehensive income'	**20,742,480**	-	**98,000**	**20,840,480**
As at 30 June 2019				
Investments at 'fair value through other comprehensive income'	26,826,940	-	98,000	26,924,940

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further there was no transfer in and out of level 3 measurements.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices or dealer quotes for similar instruments and the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

22.3 Recognized fair value measurements - non-financial assets

There were no any non-financial assets as at 30 June 2020 (2019: Nil) for the recognized fair value measurement.

22.4 Financial instruments by categories

	At 'fair value through other comprehensive income'	At amortized cost	Total
As at 30 June 2020	**Rupees**	**Rupees**	**Rupees**
Assets as per statement of financial position			
Long-term investments	**20,840,480**	**-**	**20,840,480**
Long-term deposit	**-**	**20,000**	**20,000**
Trade debts	**-**	**2,215,467**	**2,215,467**
Advance to employees	**-**	**79,334**	**79,334**
Other receivables	**-**	**4,451,084**	**4,451,084**
Bank balances	**-**	**161,236**	**161,236**
	20,840,480	**6,927,121**	**27,767,601**
Liabilities as per statement of financial position			
Trade and other payables	**-**	**1,321,718**	**1,321,718**
Unclaimed dividend	**-**	**2,476,962**	**2,476,962**
	-	**3,798,680**	**3,798,680**
As at 30 June 2019			
Assets as per statement of financial position			
Long-term investments	26,924,940	-	26,924,940
Long-term deposit	-	20,000	20,000
Trade debts	-	4,497,066	4,497,066
Advance to employees	-	55,000	55,000
Other receivables	-	4,094,173	4,094,173
Bank balances	-	1,396,302	1,396,302
	26,924,940	10,062,541	36,987,481
Liabilities as per statement of financial position			
Trade and other payables	-	1,214,434	1,214,434
Unclaimed dividend	-	2,478,042	2,478,042
	-	3,692,476	3,692,476

22.5 Offsetting financial assets and financial liabilities

As on reporting date, recognized financial instruments are not subject to off setting as there are no enforceable master netting arrangements and similar agreements.

23. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders and issue new shares or sell assets. The Company's strategy, remained unchanged from last year.

24. NUMBER OF EMPLOYEES

The number of employees during the year is as follows:

	2020		2019	
	At year end	Average	At year end	Average
Number of employees	**5**	**3**	3	3

24.1 All employees are hired on temporary contract basis. Therefore, the Company has not so far established any staff retirement benefit scheme. The Company intends to hire permanent employees after the commencement of primary commercial operations.

25. NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in their meeting held on ________________ proposed a final cash dividend for the year ended 30 June 2020 @ Nil% i.e. Rupee Nil / share (2019: @ Nil% i.e. Rupee Nil / share) for the ordinary shareholders of the Company except Company's sponsors, directors and their families. The approval of the members for the dividend will be obtained at the forthcoming Annual General Meeting. The financial statements for the year ended 30 June 2020 do not include the effect of these appropriations which will be accounted for in the interim financial statements for the six month period ending on 31 December 2020.

26. IMPACT OF COVID-19 (CORONA VIRUS)

The pandemic of COVID-19 that rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On 23 March 2020, the Government of Sindh announced a temporary lock down as a measure to reduce the spread of the COVID–19. Complying with the lockdown, the Company temporarily suspended its operations. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company resumed its operations and took all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowdown in economic activity. Due to this, management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:

- expected credit losses under IFRS 9 'Financial Instruments';
- the impairment of tangible assets under IAS 36 'Impairment of Assets';
- provisions and contingent liabilities under IAS 37 Provisions, Contingent Liabilities and Contingent Assets'; and
- going concern assumption used for the preparation of these financial statements.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements.

27. DATE OF AUTHORIZATION

These financial statements were approved and authorized for the issue on 02 OCT 2020 by the Board of Directors of the Company.

28. CORRESPONDING FIGURES

Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. However, no reclassification / rearrangement of the corresponding figures have been made during the year in these financial statements.

29. GENERAL

Figures have been rounded off to the nearest Rupee, unless otherwise stated.

Chief Financial Officer	Chief Executive Officer	Director

AKD Capital Ltd.

PATTERN OF SHAREHOLDING

PART-I

(Please complete in typescript or in bold block capitals.)

1.1 Name of the Company **AKD Capital Limited**

PART-II

2.1. Pattern of holding of the shares held by the shareholders as at **30 06 2020**

2.2. No of shareholders	Shareholdings	Total shares held
431	shareholding from 1 to 100 shares	9,794
134	shareholding from 101 to 500 shares	42,922
46	shareholding from 501 to 1000 shares	40,761
41	shareholding from 1001 to 5000	96,352
6	shareholding from 5001 to 10000	44,883
2	shareholding from 10001 to 15000	24,462
4	shareholding from 15001 to 20000	71,555
3	shareholding from 20001 to 30000	78,933
1	shareholding from 30001 to 40000	37,968
5	shareholding from 40001 to 95000	316,110
1	shareholding from 95001 to 145000	130,680
1	shareholding from 145001 to 195000	166,340
3	shareholding from 195001 to 695000	69,8000
1	shareholding from 695001 to 750000	748,232
	(Add appropriate slabs of shareholdings)	
	Total	**2,506,992**

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Web: www.akdcapital.com

2.3	Categories of shareholders	share held	Percentage
2.3.1	Directors, Chief Executive Officer, and their spouse and minor children.	43,308	1.72
2.3.2	Associated Companies, undertakings and related parties.	0	0
2.3.3	NIT and ICP	0	0
2.3.4	Banks Development Financial Institutions, Non-Banking Financial Institutions.	791,690	31.59
2.3.5	Insurance Companies	843	0.03
2.3.6	Modarabas and Mutual Funds	0	0
2.3.7	Shareholders holding 10%	0	0
2.3.8	General Public		
	a. Local	1,693,950	68.38
	b. Foreign	0	0
2.3.9	Others (to be specified)	0	0

Form Of Proxy
Eighty Sixth Annual General Meeting

I/we ---

Of ---

being member(s) of AKD Capital Limited holding ____

ordinary shares hereby appoint ____

of ___________________________ or failing him/her ____

of __________________________ who is also member of AKD Capital Ltd. as my/our proxy in my/our absence

to attend and vote for me/us and on my/our behalf at the Eighty Sixth Annual General Meeting of the Company

to be held on October 22, 2020 and / or any adjournment thereof.

As witness my /hand /seal this --day of ---------------------------------20---

Shareholder

Folio No. ---------------

Signature on
Five Rupee Revenue
Stamp

Important:

1. This proxy form, duly completed and signed, must be received at the Registered Office of the Company, 618, Continental Trade Centre, Block 8, Clifton, Karachi, not less than 48 hours before the time of holding the meeting.

2. No person shall act as proxy unless he himself is member of the Company, except that a corporation may appoint a person who is not a member.

3. If a member appoints more than one proxy form an more than on instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.