

**AUDITED FINANCIAL STATEMENTS**

**OF**

**BAWA SECURITIES  
(PRIVATE) LIMITED**

**FOR THE YEAR ENDED  
JUNE 30, 2021**

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ  
CHARTERED ACCOUNTANTS  
KARACHI, LAHORE & ISLAMABAD**



## INDEPENDENT AUDITORS' REPORT

To the members of Bawa Securities (Private) Limited

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the annexed financial statements of **M/s. Bawa Securities (Private) Limited** (the Company), which comprise the statement of financial position as at **June 30, 2021**, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information ('the financial statements'), and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and, respectively, give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the profit, total comprehensive income, 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.

#### 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.

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### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980);
- e) the Company was in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licencing and Operations) Regulations, 2016 as at the date on which the statement of financial position was prepared.

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



**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
Chartered Accountants

Karachi  
Date: 05 NOV 2021



# Bawa Securities (Private) Limited

## Statement of Financial Position

As at June 30, 2021

	Note	2021	Restated 2020	Restated 2019
Rupees				
<b>EQUITIES AND LIABILITIES</b>				
<b>Share capital and reserves</b>				
<i>Authorized capital</i>				
1,000,000/- (2020: 1,000,000) ordinary shares of Rs.100/-each				
		<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
<i>Issued, subscribed and paid up capital</i>				
350,000 ordinary shares of Rs.100/ each fully paid in cash				
		35,000,000	35,000,000	35,000,000
Unappropriated profit				
		174,683,672	139,660,550	140,930,413
		209,683,672	174,660,550	175,930,413
<b>Capital reserve</b>				
Capital contribution from the Directors				
	4	62,449,101	62,449,101	62,449,101
<b>Non-current liability</b>				
Loan from Directors				
	4	21,774,000	19,521,248	17,501,567
<b>Current liabilities</b>				
Trade and other payables				
	5	191,692,401	101,151,246	75,112,692
Income tax payable				
	14	2,006,991	-	-
		193,699,392	101,151,246	75,112,692
<b>Contingencies and commitments</b>				
	6			
<b>Total equity and liabilities</b>				
		<u>487,606,165</u>	<u>357,782,145</u>	<u>330,993,773</u>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment				
	7	3,714,673	3,523,803	3,931,984
Intangible assets				
	8	3,500,000	3,500,000	3,500,000
Long term deposits				
	9	6,400,000	6,550,000	6,550,000
		13,614,673	13,573,803	13,981,984
<b>Current assets</b>				
Short term investment				
	10	57,586,518	65,244,592	104,788,733
Trade debts				
	11	12,022,022	11,904,010	3,563,959
Receivable against margin financing				
	12	153,414,085	61,182,661	46,795,530
Deposits and other receivables				
	13	16,654,361	8,254,520	51,798,670
Income tax refundable				
	14	-	29,090,616	30,420,907
Cash and bank balances				
	15	234,314,506	168,531,943	79,643,990
		473,991,492	344,208,342	317,011,789
<b>Total assets</b>				
		<u>487,606,165</u>	<u>357,782,145</u>	<u>330,993,773</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

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CHIEF EXECUTIVE

  
DIRECTOR

# Bawa Securities (Private) Limited

## Statement of Profit or Loss


For the year ended June 30, 2021

		2021	Restated 2020
	Note	Rupees	
Commission, dividend and other revenue	16	50,904,788	20,362,194
Gain / (loss) on re-measurement of short term investments		21,580,650	(6,524,653)
Capital gain / (loss) on sale of short term investments		<u>5,263,234</u>	<u>(162,603)</u>
		77,748,672	13,674,938
Administrative expenses	17	(44,638,427)	(24,584,950)
Other income	18	11,573,446	14,842,175
Finance cost	19	(2,252,752)	(2,019,681)
Profit before taxation		<u>42,430,939</u>	<u>1,912,482</u>
Taxation	20	(7,407,817)	(3,182,345)
<b>Profit / (loss) after taxation</b>		<u><u>35,023,122</u></u>	<u><u>(1,269,863)</u></u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

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CHIEF EXECUTIVE

  
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DIRECTOR



# Bawa Securities (Private) Limited

## Statement of Comprehensive Income

For the year ended June 30, 2021

	2021	Restated 2020
	Rupees	
Profit / (loss) after taxation	35,023,122	(1,269,863)
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u><u>35,023,122</u></u>	<u><u>(1,269,863)</u></u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

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CHIEF EXECUTIVE

  
DIRECTOR

# Bawa Securities (Private) Limited

## Statement of Changes in Equity

For the year ended June 30, 2021

	Issued, subscribed and paid up capital	Unappropriate d profits	Capital contribution from the Directors	Total
	Rupees			
Balance as at June 30, 2019	35,000,000	155,981,081	-	190,981,081
Effect of discounting of director loan (refer note 25)	-	-	62,449,101	62,449,101
Unwinding of the loan (refer note 25)	-	(15,050,668)		(15,050,668)
Balance as at June 30, 2019 - restated	<u>35,000,000</u>	<u>140,930,413</u>	<u>62,449,101</u>	<u>238,379,514</u>
Loss after taxation for the year - restated	-	(1,269,863)	-	(1,269,863)
Balance as at June 30, 2020 - restated	<u>70,000,000</u>	<u>139,660,550</u>	<u>62,449,101</u>	<u>237,109,651</u>
Profit after taxation for the year	-	35,023,122	-	35,023,122
Balance as at June 30, 2021	<u>70,000,000</u>	<u>174,683,672</u>	<u>62,449,101</u>	<u>272,132,773</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

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CHIEF EXECUTIVE

  
DIRECTOR



# Bawa Securities (Private) Limited

## Statement of Cash Flows

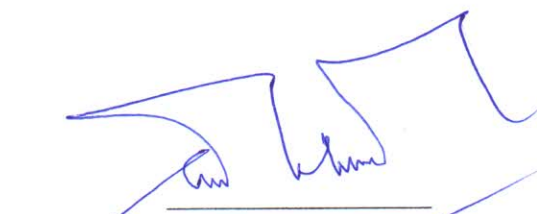
For the year ended June 30, 2021

	2021	Restated 2020
	Rupees	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	42,430,939	1,912,482
<b>Adjustments for :</b>		
- Depreciation	593,483	647,490
- Finance cost	2,368,261	2,780,892
- (Gain) /loss on re-measurement of short term investments	(26,681,271)	6,524,653
- Provision for doubtful receivables	7,482,067	215,886
- Capital gain / (loss) on sale of investments	(162,603)	162,603
	<u>(16,400,063)</u>	<u>10,331,524</u>
Operating profit before working capital changes	26,030,876	12,244,006
<b>Change in working capital:</b>		
<i>(Increase) in current assets</i>		
- Trade debts	(99,831,503)	(22,943,068)
- Deposits and other receivables	(8,399,841)	43,544,150
	<u>(108,231,344)</u>	<u>20,601,082</u>
<i>Increase in current liabilities</i>		
- Trade and other payables	90,541,155	26,038,554
Cash generated from operations	<u>8,340,687</u>	<u>58,883,642</u>
Financial charges paid	(115,509)	(761,211)
Income tax Received/(Paid) - net	23,689,790	(1,852,054)
<b>Net cash generated from operating activities</b>	<u>31,914,968</u>	<u>56,270,377</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of investments - net	34,501,948	32,856,886
Capital expenditure	(784,352)	(239,310)
<b>Net cash generated from investing activities</b>	<u>33,867,596</u>	<u>32,617,576</u>
<b>Net increase in cash and cash equivalents</b>	65,782,564	88,887,953
<b>Cash and cash equivalents at beginning of the year</b>	168,531,943	79,643,990
<b>Cash and cash equivalents at end of the year</b>	<u>234,314,506</u>	<u>168,531,943</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

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 CHIEF EXECUTIVE

  
 DIRECTOR

# Bawa Securities (Private) Limited

## Notes to the Financial Statements

For the year ended June 30, 2021

### 1 STATUS AND NATURE OF BUSINESS

Bawa Securities (Private) Limited ('the Company') incorporated in Pakistan as a private limited company under the repealed Companies Ordinance, 1984 (The Company Act 2017) on April 28, 2008. The Company is a TREC holder of Pakistan Stock Exchange Limited. The principal business of the Company is brokerage, investments and trading of securities. The registered office of the Company is located at room No. 432 and 433, 4th Floor, Pakistan Stock Exchange Building, Stock Exchange Road, Karachi. The Company has also acquired the membership of Pakistan Mercantile Exchange Limited.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

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

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

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for investments in quoted equity securities which are measured at fair value.

#### 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is Company's functional and presentation currency.

#### 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policy are as follows:

Provision for taxation

Provision for doubtful trade receivables

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## 2.5 New Accounting Pronouncements

### 2.5.1 *Amendments to approved accounting standards and interpretations which became effective during the year.*

During the year certain new accounting and reporting standards / amendments / interpretations became effective and applicable to the Company. However, since such updates were not considered to be relevant to these financial statements, the same have not been reported.

### 2.5.2 *New / revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective*

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

Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after January 01, 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. The application of the amendment is not likely to have an impact on the Company's financial statements.

Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises 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. The amendments are not likely to affect the financial statements of the Company.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after January 01, 2022 clarifies that sales proceeds and costs 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. 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 amendments are not likely to affect the financial statements of the Company.

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Amendments to IFRS 3 'Business Combinations' - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 01, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018. The amendments are not likely to affect the financial statements of the Company.

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current amendments apply retrospectively for the annual periods beginning on or after January 01, 2023. 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. The amendments are not likely to affect the financial statements of the Company.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- a. requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- b. clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- c. clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are not likely to affect the financial statements of the Company.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 01, 2023 with earlier application permitted.

Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after January 01, 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. The amendments are not likely to affect the financial statements of the Company.

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Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after January 01, 2023 with earlier application permitted. The amendments are not likely to affect the financial statements of the Company.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

The adoption of the above standards, amendments and improvement to accounting standards would not have any material effect on the Company's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after January 01, 2023 with earlier application permitted. The amendments are not likely to affect the financial statements of the Company.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

- 2.5.3 The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022.

IFR Prepayment features with negative compensation (Amendment)

IFRS 9 – 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.

IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

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IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

The above amendments are not likely to affect the financial statements of the Company.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### 3.1 Property and equipment

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

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year in which the asset is derecognized.

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

#### 3.2 Intangible assets

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

*Trading Rights Entitlement (TRE) Certificate / Membership card of Pakistan Mercantile Exchange*

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

#### 3.3 Financial instruments

##### 3.3.1 Initial recognition, classification and measurement

The Company classifies its financial instruments in the following categories:

- (a) at fair value through profit and loss (“FVTPL”),
- (b) at fair value through other comprehensive income (“FVTOCI”), or
- (c) at amortised cost.





a) *Financial assets measured at amortized cost*

A financial asset is measured at amortized cost if it is held within 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 principal amount outstanding.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

b) *Financial assets at FVOCI*

A financial asset is classified as at fair value through other comprehensive income when either:

- (a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets 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; or
- (b) it is an investment in equity instrument which is designated as at fair value through other comprehensive income in accordance with the irrevocable election available to the Company to at initial recognition.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

c) *Financial assets at FVTPL*

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, as aforesaid.

Such financial assets are initially measured at fair value.

### 3.3.2 *Subsequent measurement*

(a) *Financial assets measured at amortized cost*

These assets are subsequently measured at amortized cost (determined using the effective interest method) less accumulated impairment losses.

Interest / markup income, foreign exchange gains and losses and impairment losses arising from such financial assets are recognized in the profit and loss account.

(b) *Financial assets at FVOCI*

These are subsequently measured at fair value less accumulated impairment losses.

A gain or loss on a financial asset measured at fair value through other comprehensive income in accordance is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (except for investments in equity instruments which are designated as at fair value through other comprehensive income in whose case the cumulative gain or loss previously recognized in other comprehensive income is not so reclassified). Interest is calculated using the effective interest method and is recognised in profit or loss.

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(c) *Financial assets at FVTPL*

These assets are subsequently measured at fair value.

Net gains or losses arising from remeasurement of such financial assets as well as any interest income accruing thereon are recognized in profit and loss account.

**3.3.3 *Impairment***

The Company's only financial asset that is subject to the impairment requirements of IFRS 9 is trade receivables.

The Company applies the IFRS 9 'Simplified Approach' to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Company measures expected credit losses on trade receivables in a way that reflects an unbiased and probability-weighted amount, time value of money and reasonable and supportable information at the reporting date about the past events, current conditions and forecast of future economic conditions. The Company recognises in the statement of profit or loss, as an impairment loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

**3.3.4 *De-recognition***

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Modaraba has transferred substantially all risks and rewards of ownership.

**3.3.5 *Financial liabilities***

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (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 and loss account.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

**3.3.6 *Offsetting of financial assets and financial liabilities***

Financial assets and liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to setoff the recognised amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

**3.4 *Trade debts and other receivables***

Trade debts and other receivables are carried at their initial transaction price less the lifetime expected credit loss allowance.

**3.5 *Fiduciary assets***

Assets held in trust or in a fiduciary capacity by the company are not treated as assets of the Company and accordingly are not included in these financial statements.

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### 3.6 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and bank balances.

### 3.7 Share capital

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

### 3.8 Borrowings

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### 3.9 Trade and other payables

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

These are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

### 3.10 Taxation

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

#### *Current*

Provision of 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 enacted or substantially enacted at the reporting date and after taking into account tax credits, rebates and exemptions, if any. 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 recognized using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognized for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset may be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized for all the taxable temporary differences.

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to comprehensive income or equity, in which case it is included in comprehensive income or equity.

### **3.11 Provisions**

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

### **3.12 Related party transactions**

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

### **3.13 Revenue recognition**

#### *Revenue from trading activities*

Commission revenue from trading of securities is recognized when the performance obligation is satisfied, being when transaction is settled by the clearing house and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Broker's bills are also generated at that point in time.

A receivable is recognized when the transaction is settled by the clearing house as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### *Dividend income*

Dividends received from investments measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognized in the statement of profit or loss when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of a part of the cost of an investment. In this case, dividend is recognized in other comprehensive income if it relates to an investment measured at fair value through other comprehensive income.

#### *Interest income*

Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

### **3.14 Borrowing costs**

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalised as part of the cost of that asset.



4 **LOAN FROM DIRECTORS**

This represents unsecured, interest free loan provided by Directors of the Company. The capital contribution represents the difference between the nominal value and present value (at the disbursement date) of long term loan received in 2001. Since the loan is interest-free and is to be repaid after 30 years from the disbursement date, it has been discounted at the Company's borrowing rate with the effect of discounting credited to equity in accordance with the requirements of Technical Release 32 Accounting Directors' Loan issued by the Institute of Chartered Accountants of Pakistan.

5	TRADE AND OTHER PAYABLES	Note	2021	2020
			Rupees	
	Creditors		181,700,548	97,124,760
	Payable to clients against DFCs		1,075,927	1,428,091
	Accrued expenses		4,233,146	940,268
	Sindh Sales Tax payable		1,192,848	746,617
	Workers' Welfare Fund payable	18	-	446,805
	Commission Payable to Dealer		3,489,932	464,705
			<u>191,692,401</u>	<u>101,151,246</u>

6 **CONTINGENCIES AND COMMITMENTS**

As of the reporting date, no material contingencies and commitments were known to exist.

Revolving guarantee given by a Bank Al Habib Limited  
on behalf of the Company in favour of National Clearing  
Company of Pakistan Limited against DFC

<u>10,000,000</u>	<u>10,000,000</u>
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7 **PROPERTY AND EQUIPMENT**

	Offices	Furniture & fixture	Electric Equipments	Vehicles	Computer	Total
<b>As at July 01, 2019</b>						
Cost	3,293,000	759,930	1,180,374	400,000	5,123,432	10,756,736
Accumulated depreciation	(903,045)	(616,038)	(817,666)	(393,515)	(4,094,488)	(6,824,752)
<b>Net book value</b>	<u>2,389,955</u>	<u>143,892</u>	<u>362,708</u>	<u>6,485</u>	<u>1,028,944</u>	<u>3,931,984</u>
<b>Year ended June 30, 2020</b>						
Opening net book value	2,389,955	143,892	362,708	6,485	1,028,944	3,931,984
Additions during the year	-	-	120,000	-	119,310	239,310
Depreciation for the year	(238,995)	(14,389)	(59,071)	(1,297)	(333,738)	(647,490)
<b>Closing net book value</b>	<u>2,150,960</u>	<u>129,503</u>	<u>423,637</u>	<u>5,188</u>	<u>814,516</u>	<u>3,523,804</u>
<b>As at June 30, 2020</b>						
Cost	3,293,000	759,930	1,300,374	400,000	5,242,742	10,996,046
Accumulated depreciation	(1,142,040)	(630,427)	(876,737)	(394,812)	(4,428,226)	(7,472,242)
<b>Net book value</b>	<u>2,150,960</u>	<u>129,503</u>	<u>423,637</u>	<u>5,188</u>	<u>814,516</u>	<u>3,523,804</u>
<b>Year ended June 30, 2021</b>						
Opening net book value	2,150,960	129,503	423,637	5,188	814,516	3,523,804
Additions during the year	8,000	-	397,082	-	379,270	784,352
Depreciation for the year	(215,096)	(12,950)	(64,076)	(1,038)	(300,323)	(593,483)
<b>Closing net book value</b>	<u>1,943,864</u>	<u>116,553</u>	<u>756,643</u>	<u>4,150</u>	<u>893,463</u>	<u>3,714,673</u>
<b>As at June 30, 2021</b>						
Cost	3,301,000	759,930	1,697,456	400,000	5,622,012	11,780,398
Accumulated depreciation	(1,357,136)	(643,377)	(940,813)	(395,850)	(4,728,549)	(8,065,725)
<b>Net book value</b>	<u>1,943,864</u>	<u>116,553</u>	<u>756,643</u>	<u>4,150</u>	<u>893,463</u>	<u>3,714,673</u>
Rate of depreciation	10%	10%	10%	20%	30%	



	Note	2021	2020
		Rupees	
<b>8 INTANGIBLE ASSETS</b>			
Trading Rights Entitlement (TRE) Certificate - PSX	8.1	2,500,000	2,500,000
Trading license - PMEX		1,000,000	1,000,000
		<u>3,500,000</u>	<u>3,500,000</u>

8.1 Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 ('the Act'), the Company has received a Trading Right Entitlement Certificate (TREC) in lieu of its membership card of PSX. The right has been carried at cost less impairment.

	Note	2021	2020
		Rupees	
<b>9 LONG TERM DEPOSITS</b>			
<i>Deposit placed with NCCPL</i>			
Deliverables Future Contract		1,000,000	1,000,000
Basic deposit		200,000	200,000
<i>Deposit placed with PSX</i>			
Basic deposit		200,000	200,000
<i>Deposit placed with PMEX</i>			
Pakistan Mercantile Exchange Limited - Basic deposit		5,000,000	5,150,000
		<u>6,400,000</u>	<u>6,550,000</u>

**10 SHORT TERM INVESTMENTS -  
At fair value through profit or loss**

Investment in quoted securities	10.1	<u>57,586,518</u>	<u>65,244,592</u>
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**10.1 Investment in quoted securities**

2020	2021	Scrip name	2021	2020
5,000	5,000	KOT ADDU POWER	221,750	100,750
36,999	26,999	MAPLE LEAF CEMENT FACTORY LIMITED	1,268,413	961,234
5,875	5,875	PERVEZ AHMED CONSULTANCY SERVICE LTD	9,576	4,288
82,320	82,320	PAKISTAN PETROLEUM LTD.	7,147,846	7,143,730
63,000	126,000	PAKISTAN REFINERY LTD.	3,100,860	718,830
2,002,953	2,002,953	PAKISTAN STOCK EXCHANGE LIMITED	44,685,881	19,829,235
2,175	2,175	RELIANCE WEAVING MILLS LTD.	157,492	50,025
15,000	15,000	SUI NORTHERN GAS PIPELINE LTD.	728,700	819,000
2,540,500	20,000	SUI SOUTHERN GAS COMPANY LIMITED	266,000	33,900,980
3,000	-	ATTOCK REFINERY LTD.	-	267,960
20,000	-	ENGRO POLYMER	-	499,600
6,000	-	PAKISTAN STATE OIL CO. LTD.	-	948,960
<u>4,782,822</u>	<u>2,286,322</u>		<u>57,586,518</u>	<u>65,244,592</u>

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## 10.2 Details of shares pledged

	2021		2020	
	No of shares pledged	Value of shares pledged	No of shares pledged	Value of shares pledged
<i>Pledge with Banks</i>				
Clients	5,069,000	122,850,125	1,129,500	38,124,310
Brokerage house	-	-	-	-
<i>Pledge with PSX/NCCPL</i>				
Clients	457,500	32,830,815	124,000	4,589,290
Brokerage house	2,148,500	54,201,480	3,052,500	42,306,400

	Note	2021	2020
		Rupees	
<b>11 TRADE DEBTS</b>			
<b>11.1 Receivable under ready market</b>			
Considered good, secured		18,376,447	10,776,368
Considered doubtful, unsecured		3,245,739	3,245,739
		21,622,186	14,022,107
Less: Provision for doubtful debts	11.1.1	(9,600,164)	(2,118,097)
		12,022,022	11,904,010
<b>11.1.1 Movement in provision for doubtful trade debts</b>			
Balance at the beginning of the year		2,118,097	1,902,211
Charged during the year		7,482,067	215,886
Balance at the end of the year		9,600,164	2,118,097
<b>12 Receivable under Margin Finance</b>			
Receivable under Margin Financing - considered good and secured		153,414,085	61,182,661
<b>13 DEPOSITS AND OTHER RECEIVABLES</b>			
Deposits places with NCCPL & PSX:			
- Exposure Deposit against DFCs		1,000,000	1,000,000
- Profit withheld against DFCs		-	77,325
- Loss deposit against DFCs		654,361	477,195
- Exposure Deposit against Ready Market		15,000,000	6,500,000
Stock index future contract - exposure deposit		-	200,000
		16,654,361	8,254,520
<b>14 INCOME TAX REFUNDABLE</b>			
Opening balance - income tax refundable		29,090,616	30,420,907
Provision for taxation - current		(7,407,817)	(3,182,345)
Tax paid during the year		2,521,380	1,852,054
Tax refunds received during the year		(26,211,170)	-
Closing balance - income tax (payable) / refundable		(2,006,991)	29,090,616

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	2021	2020
	Rupees	
<b>15 CASH AND BANK BALANCES</b>		
Cash in hand	36,761	59,648
Cash at bank - current accounts	52,576,932	70,848,834
Cash at bank - saving account	181,700,813	97,623,461
	<u>234,314,506</u>	<u>168,531,943</u>
<b>15.1</b>	As of the reporting date, balances held in clients' accounts amounted to Rs. 181.700 million (2020: Rs. 97.623 million) .	
	2021	2020
	Rupees	
<b>16 COMMISSION, DIVIDEND AND OTHER REVENUE</b>		
Commission income	77,208,943	36,857,786
Less: Commission expense	<u>(26,638,396)</u>	<u>(16,714,826)</u>
	50,570,547	20,142,960
IPO commission	25,126	922
Dividend income	309,115	218,312
	<u>50,904,788</u>	<u>20,362,194</u>
<b>17 ADMINISTRATIVE EXPENSES</b>		
Salaries, benefits and allowances	19,483,640	14,365,840
Directors' remuneration	3,360,000	3,785,000
PSX, SECP & NCCPL Charges	10,104,328	2,040,666
Printing and stationery	70,080	110,192
Fees and subscription	158,175	294,594
Communication expenses	810,866	1,578,294
Auditors' remuneration - audit fee	425,000	325,200
Entertainment expense	298,715	236,460
Repair and maintenance	204,033	28,250
Depreciation	593,483	647,490
Legal and professional fee	334,500	111,320
Provision for doubtful receivables	7,482,067	215,886
Sales tax expense	254,735	-
Deposits written off	150,000	-
Bank charges	115,509	761,211
Miscellaneous expenses	793,296	84,547
	<u>44,638,427</u>	<u>24,584,950</u>
<b>18 OTHER INCOME</b>		
Profit on bank saving account	10,301,231	9,813,667
Profit on cash margin with NCCPL	825,410	4,603,688
Workers' Welfare Fund written off	446,805	-
Others	-	424,820
	<u>11,573,446</u>	<u>14,842,175</u>
<b>19 FINANCE COST</b>		
Unwinding of director loan	2,252,752	2,019,681
<b>20 TAXATION</b>		
Current	7,407,817	3,182,345
	<u>7,407,817</u>	<u>3,182,345</u>

2021                      2020

————— Rupees —————

**20.1 Relationship of tax expense with accounting profit**

Accounting profit before tax	42,430,939	1,912,482
Tax at the rate of 29% (2020: 29%)	12,304,972	554,620
Effect of exempt income	(7,737,569)	(1,892,149)
Effect of income chargeable at reduced rate	(736,853)	162,603
Tax effect of non-deductible expenses	2,995,208	585,707
Others	582,059	(2,593,126)
	7,407,817	3,182,345

**21 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amounts charged in the financial statements for remuneration, including certain benefits to Directors, Chief Executive and Executives of the Company, are as follows:

	Chief Executive		Directors		Total	
	2021	2020	2021	2020	2021	2020
	Rupees					
Managerial remuneration	1,680,000	1,892,500	1,680,000	1,892,500	3,360,000	3,785,000
	1,680,000	1,892,500	1,680,000	1,892,500	3,360,000	3,785,000
Number of persons	1	1	1	1	2	2

**22 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties comprise of major shareholders, key management personnel, directors of the Company and their close family members. Transaction with related parties are on arm's length basis. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment.

**23 FINANCIAL INSTRUMENTS**

**23.1 Financial risk management**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest/mark-up rate risk and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk





(i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The carrying amount of financial assets represents the maximum credit exposure. Cash is held only with banks with high quality credit worthiness.

A financial asset is regarded as credit impaired as and when it falls under the definition of a 'defaulted' financial asset. For the Company's internal credit management purposes, a financial asset is considered as defaulted when it is past due for 90 days or more.

The Company writes off a defaulted financial asset when there remains no reasonable probability of recovering the carrying amount of the asset through available means.

The maximum exposure to credit risk at the reporting date is as follows:

	2021	2020
	Rupees	
Long term deposits	6,400,000	6,550,000
Trade debts and receivable against margin financing	165,436,107	73,086,671
Deposits and other receivables	16,654,361	8,254,520
Bank balances	234,277,745	168,472,295
	<u>422,768,213</u>	<u>256,363,486</u>

At each reporting date, Company assessed its trade debts for impairment, however, based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors considered good do not require any impairment other than above. None of the other financial assets are either past due or impaired.

The Company held collaterals in respect of trade debts. The Company have trade receivable for which no loss allowance is recognised because of collaterals held. Cash is held with banks having satisfactory credit ratings

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities and the Company could be required to pay its liabilities earlier than expected or face difficulty in raising funds to meet commitments. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The following are the contractual maturities of financial liabilities, including interest payments:

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	2021			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
<b>Financial liabilities</b>				
Loan from Directors	21,774,000	64,900,000	-	64,900,000
Trade and other payables	190,499,553	190,499,553	190,499,553	-
	<b>212,273,553</b>	<b>255,399,553</b>	<b>190,499,553</b>	<b>64,900,000</b>

	2020			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
<b>Financial liabilities</b>				
Loan from Directors	19,521,248	64,900,000	-	64,900,000
Trade and other payables	101,151,246	101,151,246	101,151,246	-
	<b>166,051,246</b>	<b>166,051,246</b>	<b>101,151,246</b>	<b>64,900,000</b>

(iii) **Market risk**

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of currency risk, interest rate risk and price risk.

(a) **Currency risk**

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

(b) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks and term deposits held with banks in PLS accounts.

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

	Effective interest rate (%)		Carrying amounts (Rs.)	
	2021	2020	2021	2020
<b>Financial assets</b>				
Bank deposits - PLS account	4.5% - 5.75%	4.5% - 6%	<u>181,700,813</u>	<u>97,623,461</u>

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### *Sensitivity analysis*

#### *Fair value sensitivity*

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not affect fair value of financial instrument.

(c) **Price risk**

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest / markup rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Company exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 57.58 million (2020: Rs, 65.24 million) at the reporting date. The Company manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investment subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation, and, consequently, the amount realised in the subsequent sale of a investment, made significantly differ form the reported market value. Fluctuation in the market price of a security may result from perceive changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, the amount realised on sale of a particular security may be affected by the relative quantity of the security being sold.

#### *Sensitivity analysis*

The carrying value of investment subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation, and, consequently, the amount realised in the subsequent sale of a investment, made significantly differ form the reported market value. Fluctuation in the market price of a security may result from perceive changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, the amount realised on sale of a particular security may be affected by the relative quantity of the security being sold.

	Fair value	Hypothetical price change	Hypothetical increase / (decrease) in other comprehensive income
June 30, 2021	57,586,518	5% change	2,879,326
June 30, 2020	65,244,592	5% change	3,262,230

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### 23.2 Financial instruments by category

The table below provides reconciliation of the line items in the Company's statement of financial position to the categories of financial instruments.

	2021		
	Financial assets at amortised cost	At fair value through profit or loss	Financial liabilities at amortised cost
<b>June 30, 2021</b>			
<i>Financial assets</i>			
Long term deposits	6,400,000	-	-
Short term investment	-	57,586,518	-
Trade debts	165,436,107	-	-
Deposits and other receivables	16,654,361	-	-
Cash and bank balances	234,314,506	-	-
	<u>422,804,974</u>	<u>57,586,518</u>	<u>-</u>
 <i>Financial liabilities</i>			
Loan from Directors	-	-	21,774,000
Trade and other payables	-	-	99,958,398
	<u>-</u>	<u>-</u>	<u>99,958,398</u>
	2020		
	Financial assets at amortised cost	At fair value through profit or loss	Financial liabilities at amortised cost
<b>June 30, 2020</b>			
<i>Financial assets</i>			
Long term deposits	6,550,000	-	-
Short term investment	-	65,244,592	-
Trade debts	73,086,671	-	-
Deposits and other receivables	8,254,520	-	-
Cash and bank balances	168,531,943	-	-
	<u>321,667,726</u>	<u>65,244,592</u>	<u>-</u>
 <i>Financial liabilities</i>			
Loan from Directors	-	-	19,521,248
Trade and other payables	-	-	100,404,629
	<u>-</u>	<u>-</u>	<u>101,151,246</u>

### 23.3 Measurement of fair values

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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When measuring the fair value of an asset or a liability, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at year end, all investments of the Company is in equity securities measured under level-1 of the fair value. Further, there are no transfers between different levels during the year.

## 24 CAPITAL ADEQUACY LEVEL AND CAPITAL RISK MANAGEMENT

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

### 24.1 Capital adequacy level

The Capital Adequacy Level as required by CDC is calculated as follows;

	2021	2020
Total assets	487,606,165	357,782,145
Total liabilities	(215,473,392)	(120,672,494)
Less: revaluation reserves (created upon revaluation of fixed assets)	-	-
	<u>272,132,773</u>	<u>237,109,651</u>

While determining the value of the total assets of the Company, notional value of the TRE certificate as determined by Pakistan Stock Exchange Limited has been considered.

### 24.2 Net capital balance

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

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The Net Capital Balance as required under Third Schedule of Securities and Exchange Rules, 1971 read with the SECP guidelines is calculated as follows;

DESCRIPTION	VALUATION	RUPEES
<b><u>CURRENT ASSETS</u></b>		
Cash and Bank Balances	As per Book Value	250,968,867
Trade Receivables	Book Value less overdue for more than 14 days	102,569,630
Investment in listed securities in the name of broker.	Securities marked to market less 15% discount	6,915,539
Securities purchased for client	Securities purchased for the client and held by the member where the payment has not been received within 14 days.	49,891,675
Listed TFCs/Corporate Bonds of not less than BBB grade assigned by a credit rating company in Pakistan	Marked to market less 10% discount.	-
FIBs	Marked to market less 5% discount.	-
Treasury Bill	At market value	-
		<u>410,345,711</u>
<b><u>CURRENT LIABILITIES</u></b>		
Trade Payables	Book value less overdue for more than 30 days	152,661,087
Other Liabilities	As per Book values	39,031,314
		<u>191,692,401</u>
<b>NET CAPITAL BALANCE AS AT JUNE 30, 2021</b>		<u><u>218,653,310</u></u>

**Notes to the Net Capital Balance**

	Rupees
<b>1 Cash and bank balances</b>	
Cash in hand	36,761
Exposure deposit	16,654,361
Bank balance pertaining to clients	181,700,813
Bank balance pertaining to brokerage house	52,576,932
	<u>250,968,867</u>
<b>2 Trade receivables</b>	
<i>Trade receivables - Regular</i>	
Receivable balance	21,622,186
Less: overdue for more than 14 days	(11,287,483)
	<u>10,334,703</u>
<i>Trade receivables - Margin finance</i>	
Receivable balance	153,414,085
Less: overdue for more than 14 days	(61,179,158)
	<u>92,234,927</u>
<b>3 Investment in Listed Securities in the name of broker</b>	
Securities marked to market	8,135,928
Less 15%	(1,220,389)
	<u>6,915,539</u>
<b>4 Securities purchased for client</b>	
<i>Trade receivables - Regular</i>	
Overdue balance for more than 14 days	49,891,675
Lower of overdue balance and securities held against such balance	55,854,162
<b>5 Trade payables</b>	
Book value	181,700,548
Less: overdue for more than 30 days	(29,039,461)
	<u>152,661,087</u>
<b>6 Other liabilities</b>	
Creditors overdue for more than 30 days	29,039,461
Accrued Liabilities and Other Payables	9,991,853
	<u>39,031,314</u>



### 24.3 Liquid capital balance

The Liquid Capital Balance as required under Third Schedule of Securities Brokers (Licensing and Operations) Regulation 2016, read with SECP guidelines is calculated as follows;

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
<b>I. Assets</b>				
1.1	Property & Equipment	3,714,673	100.00%	-
1.2	Intangible Assets	3,500,000	100.00%	-
1.3	Investment in Govt. Securities	-	-	-
	<b>Investment in Debt. Securities</b>	-		
	<b>If listed than:</b>			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.	-	5.00%	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	7.50%	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	10.00%	-
	<b>If unlisted than:</b>			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.	-	10.00%	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	12.50%	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	15.00%	-
	<b>Investment in Equity Securities</b>			
1.5	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	8,135,928	1,242,257	6,893,671
	ii. If unlisted, 100% of carrying value.	-	100.00%	-
	In case any securities are pledged, except those pledged on favour of securities exchange or clearing house against margin requirements or pledged in favour of banks against short-term financing arrangements, 100% haircut shall be applied for the purposes of computation of adjusted value of assets.	49,450,590	49,450,590	-
1.6	Investment in subsidiaries	-	100.00%	-
	<b>Investment in associated companies/undertaking</b>			
1.7	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	100.00%	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	6,400,000	100.00%	-
1.9	Margin deposits with exchange and clearing house.	16,654,361	-	16,654,361
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	-	100.00%	-
	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil)	-	-	-
1.12	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	100.00%	-
1.13	Dividends receivables.	-	-	-
1.14	Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. ( <i>Securities purchased under repo arrangement shall not be included in the investments.</i> )	-	-	-
1.15	Advances and receivables other than trade receivables 1) No haircut may be applied on short term loan to employees provided these loans are secured and due for repayment within 12 months. 2) No haircut may be applied to the advance tax to the extent it is netted with provision of taxation. 3) In all other cases, 100% of net value	-	-	-

*h*



S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	<b>Receivables from clearing house or securities exchange(s)</b>			
1.16	i. 100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-
	ii. Receivable on entitlements against trading of securities in all markets including MtM gains.	-	-	-
	<b>Receivables from customers</b>			
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. <i>i. Lower of net balance sheet value or value determined through adjustments.</i>	153,414,085	116,362,780	116,362,780
	ii. In case receivables are against margin trading, 5% of the net balance sheet value. <i>ii. Net amount after deducting haircut</i>	-	5.00%	-
1.17	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, <i>iii. Net amount after deducting haircut</i>	-	-	-
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. <i>iv. Balance sheet value</i>	8,936,271	-	8,936,271
	v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. <i>v. Lower of net balance sheet value or value determined through adjustments</i>	3,085,751	628,617	2,457,134
	<i>vi. 100% haircut in the case of amount receivable form related parties.</i>	-	100.00%	-
	<b>Cash and Bank balances</b>			
1.18	i. Bank Balance-proprietary accounts	52,576,932	-	52,576,932
	ii. Bank balance-customer accounts	181,700,813	-	181,700,813
	iii. Cash in hand	36,761	-	36,761
1.19	<b>Total Assets</b>	<b>487,606,165</b>		<b>385,618,723</b>

<b>2. Liabilities</b>				
	<b>Trade Payables</b>			
2.1	i. Payable to exchanges and clearing house	-	-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	181,700,548	-	181,700,548
	<b>Current Liabilities</b>			
	i. Statutory and regulatory dues	1,192,848	-	1,192,848
	ii. Accruals and other payables	8,799,005	-	8,799,005
	iii. Short-term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
2.2	v. Current portion of long term liabilities	-	-	-
	vi. Deferred Liabilities	-	-	-
	vii. Provision for bad debts	-	-	-
	viii. Provision for taxation	-	-	-
	ix. Other liabilities as per accounting principles and included in the financial statements	-	-	-

*b*



S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	<b>Non-Current Liabilities</b>			
	i. Long-Term financing	-	-	-
	a. Long-Term financing obtained from financial institution: Long term portion of financing obtained from a financial institution including amount due against finance lease	-	-	-
	b. Other long-term financing	-	-	-
	ii. Staff retirement benefits	-	-	-
2.3	iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Board of Directors of the company has approved the increase in capital c. Relevant Regulatory approvals have been obtained d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e. Auditor is satisfied that such advance is against the increase of capital.	-	-	-
	iv. Other liabilities as per accounting principles and included in the financial statements		-	-
	<b>Subordinated Loans</b>	-	-	-
2.4	i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified: a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period b. No haircut will be allowed against short term portion which is repayable within next 12 months. c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.	21,774,000	21,774,000.00	-
	ii. Subordinated loans which do not fulfill the conditions specified by SECP	-	-	-
2.5	<b>Total Liabilities</b>	<b>213,466,401</b>		<b>191,692,401</b>
<b>3. Ranking Liabilities Relating to :</b>				
	<b>Concentration in Margin Financing</b>			
3.1	The amount calculated client-to- client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-	-	105,021,110
	<b>Concentration in securities lending and borrowing</b>			
3.2	The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-
	<b>Net underwriting Commitments</b>			
3.3	<b>(a) in the case of right issue :</b> if the market value of securities is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting	-	-	-
	<b>(b) in any other case :</b> 12.5% of the net underwriting commitments	-	-	-

h



S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	<b>Negative equity of subsidiary</b>			
3.4	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
	<b>Foreign exchange agreements and foreign currency positions</b>			
3.5	5% of the net position in foreign currency. Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
	<b>Repo adjustment</b>			
3.7	In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities. In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received, less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
	<b>Concentrated proprietary positions</b>			
3.8	If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security. If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security	-	-	2,234,294
	<b>Opening Positions in futures and options</b>			
3.9	i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/ pledged with securities exchange after applying VaR haircuts ii. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met	-	-	-
	<b>Short sell positions</b>			
3.10	i. In case of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts ii. In case of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.	-	-	-
3.11	<b>Total Ranking Liabilities</b>	-	-	<b>107,255,404</b>
		<b>274,139,764</b>	<b>Liquid Capital</b>	<b>86,670,918</b>

25

## CORRECTION OF PRIOR PERIOD ERRORS

### *Loan from directors*

In 2001, the Company had obtained loan from directors in order to inject the capital in the Company. The loan would be repaid in one bullet payment in the year 2031 i.e. having term of 30 years. As per the requirement of the IFRS 9 Financial Instruments and Technical Release 32 Accounting Directors' Loan issued by the Institute of Chartered Accountants of Pakistan (ICAP) in January 2016, the loan should be measured at its present value (determined at an effective interest rate).

However, the Company had inadvertently recorded the loan from directors at the gross proceeds received instead measuring at the present value. During the year ended June 30, 2021, the above error was identified and rectified retrospectively in accordance with the requirements of the International Accounting Standard (IAS) 8 Accounting Policies, Changes in Accounting Estimates and Errors and the all corresponding figures affected by the errors were restated. Since these restatements have a material effect on the statement of financial position as of the beginning of the earliest period presented (i.e. July 01, 2019), the same has also been presented in these financial statements in accordance with the requirements of IAS 1 Presentation of Financial Statements.





The retrospective correction of the above error has its effects on the corresponding figures presented in these financial statements as follows:

	As of June 30, 2019
Decrease in loan from directors	47,398,433
Decrease in retained earning due to recognition of unwinding of loan from Directors	15,050,668
Recording of Capital contribution from the Directors	62,449,101
	As of June 30, 2020
Decrease in profit and loss for the year ended	2,019,681
Increase in loan from directors	2,019,681

26 **PATTERN OF SHAREHOLDING**

Name of shareholders	2021		2020	
	Shares held	% of holding	Shares held	% of holding
Muhammad Hanif Bawa	140,000	40%	140,000	40%
Muhammad Rafiq Bawa	122,500	35%	122,500	35%
Seema Yousuf	35,000	10%	35,000	10%
Yasmin Rafiq	35,000	10%	35,000	10%
Muhammad Iqbal Bawa	17,500	5%	17,500	5%
	<u>350,000</u>	<u>100%</u>	<u>350,000</u>	<u>100%</u>

26.1 There is no agreement with shareholders with respect to voting rights, board selection, rights of first refusal and block voting.

	2021	2020
27 <b>NUMBER OF EMPLOYEES</b>		
Total number of employees as at June 30,	<u>22</u>	<u>25</u>
Average number of employees during the year	<u>24</u>	<u>26</u>

28 **CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation. Following reclassifications have been made:

Reclassified from component	Reclassified to component	Amount (Rupees)
<i>For 2020</i>		
Trade debts	Receivables against margin financing	61,182,661
<i>For 2019</i>		
Trade debts	Receivables against margin financing	46,795,530

29 **DATE OF AUTHORIZATION FOR ISSUE**

The financial statements were approved by the Board of Directors of the Company in their meeting held on

05 NOV 2021

*[Signature]*

30 GENERAL

Figures have been rounded off to the nearest rupee.



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CHIEF EXECUTIVE



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DIRECTOR