

**AUDITED FINANCIAL STATEMENTS
OF
BAWA SECURITIES
(PRIVATE) LIMITED
FOR THE YEAR ENDED
JUNE 30, 2022**

**Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
KARACHI, LAHORE & ISLAMABAD**



Russell Bedford
taking you further

Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

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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, 2022**, 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, 2022 and of the loss, total comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the 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; and
- 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); and
- 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: November 08, 2022
UDIN: AR202210210NarmkTG4w



Bawa Securities (Private) Limited

Statement of Financial Position

As at June 30, 2022

	Note	2022	2021
		Rupees	
EQUITIES AND LIABILITIES			
Share capital and reserves			
Authorized capital	4	100,000,000	100,000,000
Issued, subscribed and paid up capital	4	35,000,000	35,000,000
<i>Capital reserve</i>			
Capital contribution from the Directors	5	62,449,101	62,449,101
<i>Revenue reserve</i>			
Unappropriated profits		153,787,269	174,683,672
		<u>251,236,370</u>	<u>272,132,773</u>
Non-current liability			
Loan from Directors	5	24,286,720	21,774,000
Current liabilities			
Trade and other payables	6	100,651,779	191,692,401
Taxation-net	7	1,943,085	2,006,991
		102,594,864	193,699,392
Contingencies and commitments			
	8	-	-
Total equity and liabilities		<u>378,117,954</u>	<u>487,606,165</u>
ASSETS			
Non-current assets			
Property and equipment	9	3,446,132	3,714,673
Intangible assets	10	3,500,000	3,500,000
Long term deposits and advances	11	7,200,000	6,400,000
		14,146,132	13,614,673
Current assets			
Short term investments	12	98,995,262	57,586,518
Trade debts	13	3,847,746	12,022,022
Receivable against margin financing	14	46,997,718	153,414,085
Deposits and other receivables	15	5,421,368	16,654,361
Cash and bank balances	16	208,709,728	234,314,506
		363,971,822	473,991,492
Total assets		<u>378,117,954</u>	<u>487,606,165</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.


Chief Executive




Director

Bawa Securities (Private) Limited

Statement of Profit or Loss


For the year ended June 30, 2022

	Note	2022 Rupees	2021
Operating revenue	17	43,301,888	77,543,184
Realized gain on disposal of investments		1,050,014	5,263,234
Net change in unrealized (loss) / gain on investments		<u>(29,716,459)</u>	<u>21,580,650</u>
		14,635,443	104,387,068
Administrative expenses	18	(44,311,585)	(71,276,823)
Finance costs	19	(2,512,720)	(2,252,752)
Other income	20	<u>15,983,079</u>	<u>11,573,446</u>
Loss / (Profit) before taxation		(16,205,783)	42,430,939
Taxation	21	(4,690,620)	(7,407,817)
Loss / (Profit) after taxation		<u><u>(20,896,403)</u></u>	<u><u>35,023,122</u></u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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Chief Executive


Director



Bawa Securities (Private) Limited

Statement of Comprehensive Income

For the year ended June 30, 2022

	2022	2021
	Rupees	
(Loss) / profit after taxation	(20,896,403)	35,023,122
Other comprehensive income	-	-
Total comprehensive (loss) / income for the year	<u>(20,896,403)</u>	<u>35,023,122</u>

The annexed notes from 1 to 26 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, 2022

	Issued, subscribed and paid up capital	Unappropriated profits	Capital contribution from the Directors	Total
	Rupees			
Balance as at June 30, 2020	35,000,000	139,660,550	62,449,101	237,109,651
<i>Total comprehensive income for the year ended June 30, 2021</i>				
- Profit after taxation	-	35,023,122	-	35,023,122
- Other comprehensive income	-	-	-	-
	-	35,023,122	-	35,023,122
Balance as at June 30, 2021	35,000,000	174,683,672	62,449,101	272,132,773
<i>Total comprehensive income for the year ended June 30, 2022</i>				
- Loss after taxation	-	(20,896,403)	-	(20,896,403)
- Other comprehensive income	-	-	-	-
	-	(20,896,403)	-	(20,896,403)
Balance as at June 30, 2022	35,000,000	153,787,269	62,449,101	251,236,370

The annexed notes from 1 to 26 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, 2022

	Note	2022 Rupees	2021
CASH FLOW FROM OPERATING ACTIVITIES			
Loss / (Profit) before taxation		(16,205,783)	42,430,939
Adjustments for non-cash items :			
Net change in unrealized (loss) / gain on investments		(29,716,459)	21,580,650
Depreciation on property and equipment	9	574,841	593,483
Provision for expected credit losses on trade debts	13.2	-	7,482,067
Profit on treasury bills	17	(304,054)	-
Trade debts written off	18	130,533	150,000
Finance cost	19	2,512,720	2,252,752
Profit on saving accounts	20	(15,164,118)	(10,301,231)
Profit on cash margin placed with PSX	20	(818,961)	(825,410)
		<u>(42,785,498)</u>	<u>20,932,311</u>
Operating loss / (profit) before working capital changes		<u>(58,991,281)</u>	<u>63,363,250</u>
Change in working capital:			
<i>Decrease/(Increase) in current assets</i>			
Trade debts		8,043,743	(7,750,080)
Short term investments		(11,388,231)	(13,922,576)
Receivable against margin financing		106,416,367	(92,231,424)
Deposits and other receivables		11,232,993	(8,399,841)
		<u>114,304,872</u>	<u>(122,303,921)</u>
<i>Increase/(Decrease) in current liabilities</i>			
Trade and other payables		(91,040,622)	90,541,155
Cash (used in) / generated from operations		<u>(35,727,031)</u>	<u>31,600,484</u>
Income tax received		-	26,211,170
Income tax paid		(4,754,526)	(2,521,380)
Net cash (used in) / generated from operating activities		<u>(40,481,557)</u>	<u>55,290,274</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(306,300)	(784,352)
Profit received on saving accounts		15,164,118	10,301,231
Profit received on cash margin placed with PSX		818,961	825,410
Long term deposits - net		(800,000)	150,000
Net cash generated from investing activities		<u>14,876,779</u>	<u>10,492,289</u>
Net (decrease) / increase in cash and cash equivalents		<u>(25,604,778)</u>	<u>65,782,563</u>
Cash and cash equivalents at beginning of the year		234,314,506	168,531,943
Cash and cash equivalents at end of the year	16	<u>208,709,728</u>	<u>234,314,506</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.


Chief Executive




Director

Bawa Securities (Private) Limited

Notes to the Financial Statements

For the year ended June 30, 2022

1. STATUS AND NATURE OF BUSINESS

Bawa Securities (Private) Limited ('the Company') was incorporated in Pakistan on April 28, 2008 as a private limited company under the Companies Ordinance, 1984 (which has now been repealed by the enactment of the Companies Act, 2017 in May 2017). The Company is a Trading Rights Entitlement Certificate (TREC) holder of Pakistan Stock Exchange Limited (PSX) and is categorized as a 'Trading and Self-Clearing' broker under the Securities and Exchange Commission of Pakistan (SECP). The Company is also a member of Pakistan Mercantile Exchange Limited (PMEX).

The principal activities of the Company are investments, share brokerage and Initial Public Offer (IPO) underwriting.

The registered office of the Company is situated at Room Nos. 432-433, Stock Exchange Building, Stock Exchange Road, Karachi.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements of the Company have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise 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 provisions of, and directives issued, under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

In these financial statements all items have been measured at their cost historical cost except for investment in quoted equity securities and mutual funds measured at fair value.

2.3 Functional and presentation currency

The financial statements are presented in Pakistan Rupees, which is the 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

- Useful lives, depreciation methods and residual values of property and equipment;
- Provision for taxation.



2.5 New Accounting Pronouncements

2.5.1 *Amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2022.*

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:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 clarifies that the 'cost of fulfilling a contract' for the purposes of the onerous contract assessment comprises the costs that relate directly to the contract, including both the incremental costs and an allocation of other direct costs to fulfil the contract. 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 1 January 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.
- 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 management of the Company is currently in the process of assessing the impacts of these amendments to these financial statements.



- 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 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.

The management of the Company is currently in the process of assessing the impacts of above amendments to these financial statements.

- 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.

- 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 following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022.
- 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.
- 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. This amendment enables the fair value measurement of biological assets on a post-tax basis.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any. Cost include expenditures that are directly attributable to the acquisition of the asset.

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 its cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss during the year in which they are incurred.

Depreciation is charged to statement of profit or loss applying the reducing balance method at the rates specified in note 9. Depreciation is charged when the asset is available for use till the asset is disposed off.

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 statement of profit or loss in the year in which the asset is derecognized.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

3.2 Intangible assets

Trading Right Entitlement Certificate (TREC) and Membership card of PMEX

The useful lives of these assets are indefinite and hence, no amortization is charged by the Company.

These are stated at cost less impairment, if any. The carrying amount is reviewed at each reporting 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 Trade debts

These are carried at their transaction price less any allowance for lifetime expected credit losses. A receivable is recognized on the settlement date as this is the point in time that the payment of the consideration by the customer becomes due.

3.4 Cash and cash equivalents

Cash and cash equivalent are carried in the statement of financial position at amortized cost. For the purpose of cash flow statement cash and cash equivalents comprise cash and bank balances.



3.5 Taxation

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income taxes are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is measured using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

A deferred tax asset is recognized only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that the sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the entity. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Further, the carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. If required, carrying amount of deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits to allow the benefit of part or all of that recognized deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.6 Provisions and contingent liabilities

Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a 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 can be made of the amount of obligation. Provisions are not recognized for future operating losses.

Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

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3.7 Financial assets

3.7.1 *Initial recognition, classification and measurement*

The Company recognizes a financial asset when and only when it becomes a party to the contractual provisions of the instrument evidencing investment.

Regular way purchase of investments are recognized using settlement date accounting i.e. on the date on which settlement of the purchase transaction takes place.

The Company classifies its financial assets into either of following three categories:

- (a) financial assets measured at amortized cost.
- (b) fair value through other comprehensive income (FVOCI).
- (c) fair value through profit or loss (FVTPL).

(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 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.

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 amortized cost or at fair value through other comprehensive income, as aforesaid. However, for an investment in equity instrument which is not held for trading, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the investment.

Such financial assets are initially measured at fair value.

3.7.2 *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 statement of profit or loss.

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(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 recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified. 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 as a reclassification adjustment. Interest is calculated using the effective interest method and is recognized in profit or loss.

(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 the statement of profit or loss. However, for an investment in equity instrument which is not held for trading and for which the Company has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the investment, such gains or losses are recognized in other comprehensive income. Further, when such investment is disposed off, the cumulative gain or loss previously recognized in other comprehensive income is not reclassified from equity to profit or loss.

Dividends received from investments measured at fair value through profit or loss 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.

3.7.3 *Impairment*

The Company recognizes a loss allowance for expected credit losses in respect of financial assets measured at amortized cost.

For trade debts and receivables from margin financing, the Company applies the IFRS 9 'Simplified Approach' to measuring expected credit losses which uses a lifetime expected loss allowance.

For other financial assets, the Company applies the IFRS 9 'General Approach' to measuring expected credit losses whereby the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. However, if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Company measures expected credit losses on financial assets 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 recognizes in 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.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

3.7.4 *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 Company has transferred substantially all risks and rewards of ownership.



The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

3.8 *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.

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 the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

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.

3.9 *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 recognized amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

3.10 *Revenue recognition*

Revenue from trading activities - brokerage commission

Commission revenue arising from sales / purchase of securities on clients' behalf is recognized on the date of settlement of the transaction by the clearing house.

3.11 *Other income*

Mark up / interest income

Mark-up / interest income is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

4. AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2022		2021		2022		2021	
— (Number of shares) —				Rupees			
Authorized capital							
<u>1,000,000</u>	<u>1,000,000</u>	Ordinary shares of Rs. 100/- each		<u>100,000,000</u>	<u>100,000,000</u>		
Issued, subscribed and paid up capital							
<u>350,000</u>	<u>350,000</u>	Ordinary shares of Rs.100/- each		<u>35,000,000</u>	<u>35,000,000</u>		
		Issued for cash					

4.1 There are no agreements among shareholders in respect of voting rights, board selection, rights of first refusal, and block voting.

M-



4.2 Pattern of shareholding

Categories of shareholders	2022		2021	
	Shares held	% of holding	Shares held	% of holding
<i>Individuals</i>				
Muhammad Hanif Bawa	140,000	40.00%	140,000	40.00%
Muhammad Rafiq Bawa	122,500	35.00%	122,500	35.00%
Seema Bawa	35,000	10.00%	35,000	10.00%
Yasmin Rafiq Bawa	35,000	10.00%	35,000	10.00%
Muhammad Iqbal Bawa	17,500	5.00%	17,500	5.00%
	<u>350,000</u>	<u>100%</u>	<u>350,000</u>	<u>100%</u>

5. 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.

6. TRADE AND OTHER PAYABLES

	2022	2021
	Rupees	
Creditors	93,945,229	181,700,548
Payable to clients against DFCs	856,023	1,075,927
Accrued expenses	2,896,152	4,233,146
Sindh Sales Tax payable	196,090	1,192,848
Commission Payable to Dealer	2,758,285	3,489,932
	<u>100,651,779</u>	<u>191,692,401</u>

7. INCOME TAX PAYABLE

Opening balance - income tax payable / (refundable)	2,006,991	(29,090,616)
Tax paid during the year	(4,754,526)	(2,521,380)
Tax refunds received during the year	-	26,211,170
Provision for taxation - current	4,107,203	7,407,817
Provision for taxation - prior	583,417	-
Closing balance - income tax payable	<u>1,943,085</u>	<u>2,006,991</u>

8. CONTINGENCIES AND COMMITMENTS

As of the reporting date, no material contingencies and commitments were known to exist (2021:None).

	2022	2021
	Rupees	
Revolving guarantee given by a Bank Al Habib Limited on behalf of the Company in favour of National Clearing Company of Pakistan Limited against Ready market exposure	<u>10,000,000</u>	<u>10,000,000</u>



