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Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

**AUDITED FINANCIAL STATEMENTS
OF
BWA SECURITIES
(PRIVATE) LIMITED
FOR THE YEAR ENDED
JUNE 30, 2023**

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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, 2023**, 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, 2023 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 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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Rahman Sarfaraz Rahim Iqbal Rafiq

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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: October 6, 2023

UDIN: AR202310210e4vzV7Xux

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Bawa Securities (Private) Limited

Statement of Financial Position

As at June 30, 2023

		2023	2022
	Note	Rupees	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital	4	<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid up capital	4	<u>35,000,000</u>	<u>35,000,000</u>
<i>Capital reserve</i>			
Capital contribution from the Directors	5	<u>62,449,101</u>	<u>62,449,101</u>
<i>Revenue reserve</i>			
Unappropriated profits		<u>159,439,683</u>	<u>153,787,269</u>
		<u>256,888,784</u>	<u>251,236,370</u>
Non-current liability			
Loan from Directors	5	<u>27,089,406</u>	<u>24,286,720</u>
Current liabilities			
Trade and other payables	6	<u>36,930,688</u>	<u>100,651,779</u>
Taxation-net	7	<u>2,871,355</u>	<u>1,943,085</u>
		<u>39,802,043</u>	<u>102,594,864</u>
Contingencies and commitments			
	8	-	-
Total equity and liabilities		<u>323,780,233</u>	<u>378,117,954</u>
ASSETS			
Non-current assets			
Property and equipment	9	<u>3,151,657</u>	<u>3,446,132</u>
Intangible assets	10	<u>3,500,000</u>	<u>3,500,000</u>
Long term deposits and advances	11	<u>6,400,000</u>	<u>7,200,000</u>
		<u>13,051,657</u>	<u>14,146,132</u>
Current assets			
Short term investments	12	<u>156,274,116</u>	<u>98,995,262</u>
Trade debts	13	<u>29,207,752</u>	<u>3,847,746</u>
Receivable against margin financing	14	<u>63,763,041</u>	<u>46,997,718</u>
Deposits and other receivables	15	<u>13,628,202</u>	<u>5,421,368</u>
Cash and bank balances	16	<u>47,855,465</u>	<u>208,709,728</u>
		<u>310,728,576</u>	<u>363,971,822</u>
Total assets		<u>323,780,233</u>	<u>378,117,954</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, 2023

	Note	2023 Rupees	2022
Operating revenue	17	39,634,130	43,301,888
Realized loss on disposal of investments		(29,166,437)	1,050,014
Unrealized gain / (loss) on remeasurement of investments		20,153,325	(29,716,459)
		<u>30,621,018</u>	<u>14,635,443</u>
Administrative expenses	18	(31,727,049)	(44,311,585)
Finance costs	19	(2,802,686)	(2,512,720)
Other income	20	14,935,178	15,983,079
Profit / (loss) before taxation		<u>11,026,461</u>	<u>(16,205,783)</u>
Taxation	21	(5,374,047)	(4,690,620)
Profit / (loss) after taxation		<u><u>5,652,414</u></u>	<u><u>(20,896,403)</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, 2023

	2023	2022
	Rupees	
Profit / (loss) after taxation	5,652,414	(20,896,403)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	5,652,414	(20,896,403)

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, 2023

	Issued, subscribed and paid up capital	Unappropriated profits	Capital contribution from the Directors	Total
	————— Rupees —————			
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
<i>Total comprehensive income for the year ended June 30, 2023</i>				
- Profit after taxation	-	5,652,414	-	5,652,414
- Other comprehensive income	-	-	-	-
	-	5,652,414	-	5,652,414
Balance as at June 30, 2023	35,000,000	159,439,683	62,449,101	256,888,784

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

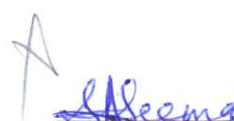
For the year ended June 30, 2023

	Note	2023	2022
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		11,026,461	(16,205,783)
Adjustments for non-cash items :			
Unrealized gain / (loss) on remeasurement of investments		(20,153,325)	(29,716,459)
Depreciation on property and equipment	9	572,575	574,841
Provision for expected credit losses on trade debts	13.2	(2,299,645)	-
Interest on treasury bills	17	(9,237,323)	(304,054)
Trade debts written off	18	-	130,533
Finance cost	19	2,802,686	2,512,720
Interest on saving accounts	20	(11,280,754)	(15,164,118)
Interest on cash margin placed with PSX	20	(1,354,779)	(818,961)
		<u>(40,950,565)</u>	<u>(42,785,498)</u>
Operating loss before working capital changes		(29,924,104)	(58,991,281)
Change in working capital:			
<i>Decrease/(Increase) in current assets</i>			
Trade debts		(23,060,361)	8,043,743
Short term investments -net		(37,125,529)	(11,388,231)
Receivable against margin financing		(16,765,323)	106,416,367
Deposits and other receivables		(8,206,834)	11,232,993
		<u>(85,158,047)</u>	<u>114,304,872</u>
<i>Increase/(Decrease) in current liabilities</i>			
Trade and other payables		(63,721,091)	(91,040,622)
Cash (used in) / generated from operations		<u>(178,803,242)</u>	<u>(35,727,031)</u>
Income tax paid		(4,445,777)	(4,754,526)
Net cash used in operating activities		<u>(183,249,019)</u>	<u>(40,481,557)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(278,100)	(306,300)
Interest received on saving accounts		11,280,754	15,164,118
Interest received on treasury bills		9,237,323	-
Interest received on cash margin placed with PSX		1,354,779	818,961
Long term deposits - net		800,000	(800,000)
Net cash generated from investing activities		<u>22,394,756</u>	<u>14,876,779</u>
Net decrease in cash and cash equivalents		<u>(160,854,263)</u>	<u>(25,604,778)</u>
Cash and cash equivalents at beginning of the year		208,709,728	234,314,506
Cash and cash equivalents at end of the year	16	<u>47,855,465</u>	<u>208,709,728</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

Notes to the Financial Statements

For the year ended June 30, 2023

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 by 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 historical cost except for investment in quoted equity securities and mutual funds which have been 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 estimates.

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

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2.5 New Accounting Pronouncements

2.5.1 *New and amended standards and interpretations mandatory for the first time for the financial year beginning July 01, 2022:*

(a) IAS 37 - Onerous contracts

Effective date:
January 01, 2022

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations – i.e. the lower of the costs of fulfilling the contract and the costs of terminating it – outweigh the economic benefits. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

(b) IAS 16 - Proceeds before an asset's intended use

Effective date:
January 01, 2022

Amendment to IAS 16 'Property, Plant and Equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments apply retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 01, 2022 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 01, 2022 and have not been early adopted by the Company:

(a) IAS 1 - Disclosure of accounting policies

Effective date:
January 01, 2023

Amendments to IAS 1, 'Presentation of Financial Statements' includes requiring companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed and also clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

(b) IAS 8 - Definition of accounting estimates

Effective date:
January 01, 2023

The International Accounting Standards Board (the Board) has issued these amendments to end diversity in treatment of accounting estimates and clarified how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. Developing an accounting estimate includes both selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and – choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

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(c) IAS 12 - Deferred tax

Effective date:
January 01, 2023

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

(d) IAS 1 - Classification of liabilities as current or non current

Effective date:
January 01, 2024

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of this amendments, the requirement for a right to be unconditional has been removed and instead, the amendments requires that a right to defer settlement must have substance and exist at the end of the reporting period. This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement. At October 31, 2022, after reconsidering certain aspects of the amendments, the IASB reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

(e) IFRS 16 - Sale and leaseback transaction

Effective date:
January 01, 2024

Amendments impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered.

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

Other than the aforesaid amendments, the IASB has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 - First Time Adoption of Financial Reporting Standards
- IFRS 17 - Insurance Contracts

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.

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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.

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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.

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.

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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.

(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.

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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

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.

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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

2023	2022		2023	2022
— (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		
		Ordinary shares of Rs.100/- each		
<u>350,000</u>	<u>350,000</u>	Issued for cash	<u>35,000,000</u>	<u>35,000,000</u>

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

4.2 Pattern of shareholding

Categories of shareholders	2023		2022	
	Shares held	% of holding	Shares held	% of holding
Individuals				
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.

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	2023	2022
	Rupees	
6. TRADE AND OTHER PAYABLES		
Creditors	32,907,977	93,945,229
Payable to clients against DFCs	2,385,924	856,023
Accrued expenses	1,272,905	2,896,152
Sindh Sales Tax payable	363,882	196,090
Commission Payable to Dealer	-	2,758,285
	36,930,688	100,651,779
7. INCOME TAX PAYABLE		
Opening balance - income tax payable / (refundable)	1,943,085	2,006,991
Tax paid during the year	(4,445,777)	(4,754,526)
Tax refunds received during the year	-	-
Provision for taxation - current	5,015,132	4,107,203
Provision for taxation - prior	358,915	583,417
Closing balance - income tax payable	2,871,355	1,943,085

8. CONTINGENCIES AND COMMITMENTS

As of the reporting date, no material contingencies and commitments were known to exist (2022:None).

	2023	2022
	Rupees	
Revolving guarantee given by Bank Al Habib Limited on behalf of the Company in favour of National Clearing Company of Pakistan Limited against Ready market exposure	10,000,000	10,000,000

9. PROPERTY AND EQUIPMENT

	Offices	Furniture & fixture	Electric Equipments	Vehicles	Computer	Total
As at June 30, 2021						
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)
Net book value	1,943,864	116,553	756,643	4,150	893,463	3,714,673
Year ended June 30, 2022						
Opening net book value	1,943,864	116,553	756,643	4,150	893,463	3,714,673
Additions during the year	-	-	189,000	-	117,300	306,300
Depreciation for the year	(194,386)	(11,655)	(78,202)	(830)	(289,768)	(574,841)
Closing net book value	1,749,478	104,898	867,441	3,320	720,995	3,446,132
As at June 30, 2022						
Cost	3,301,000	759,930	1,886,456	400,000	5,739,312	12,086,698
Accumulated depreciation	(1,551,522)	(655,032)	(1,019,015)	(396,680)	(5,018,317)	(8,640,566)
Net book value	1,749,478	104,898	867,441	3,320	720,995	3,446,132
Year ended June 30, 2023						
Opening net book value	1,749,478	104,898	867,441	3,320	720,995	3,446,132
Additions during the year	-	-	-	-	278,100	278,100
Depreciation for the year	(174,948)	(10,490)	(86,744)	(664)	(299,729)	(572,575)
Closing net book value	1,574,530	94,408	780,697	2,656	699,366	3,151,657
As at June 30, 2023						
Cost	3,301,000	759,930	1,886,456	400,000	6,017,412	12,364,798
Accumulated depreciation	(1,726,470)	(665,522)	(1,105,759)	(397,344)	(5,318,046)	(9,213,141)
Net book value	1,574,530	94,408	780,697	2,656	699,366	3,151,657
Rate of depreciation	10%	10%	10%	20%	30%	

