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Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

**AUDITED FINANCIAL STATEMENTS
OF
BAWA SECURITIES (PRIVATE) LIMITED
FOR THE YEAR ENDED
JUNE 30, 2024**

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business consultants and specialist legal advisers.



September 30, 2024

The Board of Directors
Bawa Securities (Private) Limited
Room No. 432-433, Stock Exchange Building
Stock Exchange Road, Karachi

Dear Sirs,

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

We have completed our fieldwork for the audit of **Bawa Securities (Private) Limited** ("the Company") for the year ended **June 30, 2024** and are pleased to enclose draft financial statements prepared by its management, which have been initialed by us for identification purposes, together with our draft audit report thereon. We shall be pleased to sign our report in the present or amended form after the captioned financial statements have been approved by the Board of Directors ('the Board') and signed by the Chief Executive and one of the Directors authorized in this behalf, and after we have received the following;

- (a) minutes of meeting of the Board, or its extracts, approving the financial statements and authorizing CEO and one director to sign the financial statements on behalf of the Board;
- (b) Specific Board approval for the following:

Particulars	FS note reference	Rupees
▪ Additions to property and equipment	10	3,498,269
▪ Short term investments-at fair value through profit or loss	13	117,715,498
▪ Short term investments-at amortized cost	13	134,626,892
▪ Provision for expected credit loss	14	3,182,089
▪ Receivable against Margin Finance	15	147,494,168
▪ Remuneration of Chief Executive and Directors	19.1	3,000,000
▪ Unwinding of director loan	19	3,126,118
▪ Provision for taxation-current and prior year	21	9,405,979
▪ Disclosure in respect of related party transactions and balances	22	-
▪ Capital related disclosures	25	-

- (c) A **signed and stamped** copy of final version of trial balance as at June 30, 2024 (incorporating all identified audit adjustments that have been incorporated in the captioned financial statements);
- (d) representation letter signed by the Chief Executive and Chief Financial Officer; and

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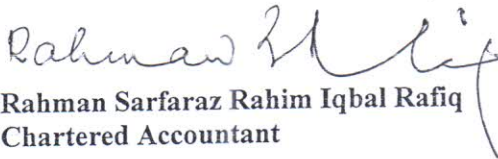
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1. RESPONSIBILITIES OF THE AUDITORS AND THE MANAGEMENT

The responsibilities of the independent auditors, in an audit of financial statements, are explained in International Standard on Auditing 200 "Overall objectives of the independent auditor and the conduct of an audit in accordance with international standards on auditing." While the auditors are responsible for forming and expressing their opinion on the financial statements, the responsibility for the preparation of the financial statements is primarily that of the management in accordance with applicable financial reporting framework, which includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error. The management's responsibilities include to provide the auditor with (i) all information, such as records and documentation, and other matters that are relevant to the preparation and presentation of the financial statements; (ii) any additional information that the auditor may request from the company and, where appropriate, those charged with governance; and (iii) unrestricted access to those within the entity from whom the auditor determines it necessary to obtain audit evidence. The audit of the financial statements does not relieve the management of its responsibilities. Accordingly, our examination of the books of accounts and records should not be relied upon to disclose all the errors or irregularities in relation to the financial statements.

We wish to place on record our appreciation for the courtesy and co-operation extended to us by management during the course of our audit.

Yours truly,


Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountant



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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, 2024**, 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, 2024 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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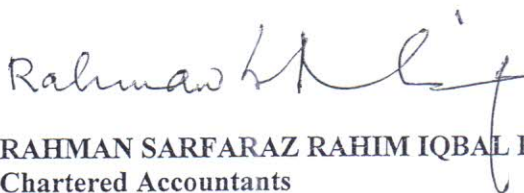
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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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 Waseem**.


RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Karachi

Date: October 08 2024
UDIN: AR202410213aJZoM1Szg

Bawa Securities (Private) Limited

Statement of Financial Position

As at June 30, 2024

	Note	2024	2023
		Rupees	
EQUITY 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		62,449,101	62,449,101
<i>Revenue reserve</i>			
Unappropriated profits		212,145,211	159,439,683
		309,594,312	256,888,784
Non-current liability			
Loan from Directors	5	30,215,524	27,089,406
Current liabilities			
Trade and other payables	6	83,501,136	36,930,688
Short term borrowing	7	78,600,185	-
Taxation-net	8	2,236,620	2,871,355
		164,337,941	39,802,043
Contingencies and commitments	9	-	-
Total equity and liabilities		504,147,777	323,780,233
ASSETS			
Non-current assets			
Property and equipment	10	1,387,144	3,151,657
Intangible assets	11	3,500,000	3,500,000
Long term deposits and advances	12	6,400,000	6,400,000
		11,287,144	13,051,657
Current assets			
Short term investments	13	259,439,935	156,274,116
Trade debts	14	16,449,538	29,207,752
Receivable against margin financing	15	147,494,168	63,763,041
Deposits and other receivables	16	13,732,844	13,628,202
Cash and bank balances	17	55,744,148	47,855,465
		492,860,633	310,728,576
Total assets		504,147,777	323,780,233

The annexed notes from 1 to 29 form an integral part of these financial statements.


Chief Executive


Director

Revised

Bawa Securities (Private) Limited

Statement of Profit or Loss

For the year ended June 30, 2024

		2024	(Restated) 2023
	Note	Rupees	
Operating revenue	18	64,702,979	39,634,130
Realized gain/(loss) on disposal of investments		9,913,091	(29,166,437)
Unrealized gain on remeasurement of investments		16,188,696	20,153,325
		<u>90,804,766</u>	<u>30,621,018</u>
Administrative expenses	19	(59,580,244)	(31,727,049)
Finance costs	20	(3,126,118)	(2,802,686)
Other income	21	34,154,068	14,935,178
Profit before levies and taxation		<u>62,252,472</u>	<u>11,026,461</u>
Levies	22	(1,382,282)	(1,009,529)
Profit before taxation		<u>60,870,190</u>	<u>10,016,932</u>
Taxation	23	(8,164,662)	(4,364,518)
Profit after taxation		<u><u>52,705,528</u></u>	<u><u>5,652,414</u></u>

The annexed notes from 1 to 29 form an integral part of these financial statements.


Chief Executive


Director

Bawa Securities (Private) Limited

Statement of Comprehensive Income

For the year ended June 30, 2024

	2024	2023
	Rupees	
Profit after taxation	52,705,528	5,652,414
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	<u><u>52,705,528</u></u>	<u><u>5,652,414</u></u>

The annexed notes from 1 to 29 form an integral part of these financial statements.



Chief Executive



Director

Resin

Bawa Securities (Private) Limited

Statement of Changes in Equity

For the year ended June 30, 2024

	Issued, subscribed and paid up capital	Unappropriated profits	Capital contribution from the Directors	Total
	————— Rupees —————			
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
<i>Total comprehensive income for the year ended June 30, 2024</i>				
- Profit after taxation	-	52,705,528	-	52,705,528
- Other comprehensive income	-	-	-	-
	-	52,705,528	-	52,705,528
Balance as at June 30, 2024	35,000,000	212,145,211	62,449,101	309,594,312

The annexed notes from 1 to 29 form an integral part of these financial statements.


 Chief Executive


 Director

Resin

Bawa Securities (Private) Limited

Statement of Cash Flows

For the year ended June 30, 2024

	Note	2024	2023
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before levies and taxation		62,252,472	11,026,461
Adjustments for non-cash items :			
Unrealized gain on remeasurement of investments		(16,188,696)	(20,153,325)
Depreciation on property and equipment	10	482,518	572,575
Provision for expected credit losses on trade debts	14.2	(4,118,430)	(2,299,645)
Interest on treasury bills	18	(14,429,419)	(9,237,323)
Finance cost	20	3,126,117	2,802,686
Gain on disposal of operating fixed asset	21	(619,735)	-
Interest on saving accounts	21	(14,715,189)	(11,280,754)
Interest on cash margin placed with PSX	21	(8,200,714)	(1,354,779)
		<u>(54,663,548)</u>	<u>(40,950,565)</u>
Operating loss before working capital changes		7,588,924	(29,924,104)
Change in working capital:			
<i>Decrease/(Increase) in current assets</i>			
Trade debts		16,876,644	(23,060,361)
Short term investments -net		(86,977,123)	(37,125,529)
Receivable against margin financing		(83,731,127)	(16,765,323)
Deposits and other receivables		(104,642)	(8,206,834)
		<u>(153,936,248)</u>	<u>(85,158,047)</u>
<i>Increase/(Decrease) in current liabilities</i>			
Trade and other payables		46,570,448	(63,721,091)
Cash (used in) / generated from operations		<u>(99,776,876)</u>	<u>(178,803,242)</u>
Income tax paid		(10,181,679)	(4,445,777)
Net cash used in operating activities		<u>(109,958,555)</u>	<u>(183,249,019)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(3,498,269)	(278,100)
Proceeds from sale of fixed assets		5,400,000	-
Interest received on saving accounts		14,715,189	11,280,754
Interest received on treasury bills		14,429,419	9,237,323
Interest received on cash margin placed with PSX		8,200,714	1,354,779
Long term deposits - net		-	800,000
Net cash generated from investing activities		<u>39,247,053</u>	<u>22,394,756</u>
Net decrease in cash and cash equivalents		(70,711,502)	(160,854,263)
Cash and cash equivalents at beginning of the year		47,855,465	208,709,728
Cash and cash equivalents at end of the year	17	<u>(22,856,037)</u>	<u>47,855,465</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

Resin

Chief Executive

Director

Bawa Securities (Private) Limited

Notes to the Financial Statements

For the year ended June 30, 2024

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.

Review

2.5 Changes in Accounting Standards, Interpretations and Amendments to Published Approved Accounting Standards

2.5.1 Amendments to existing standards that became effective during the year

The following new or amended standards and interpretations became effective during the period which are considered to be relevant to the Company's financial statements :

- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The above amendments / interpretations do not likely have an effect on the financial statements of the Company except noted below:

The Company adopted the 'Disclosure of Accounting Policies' (Amendments to IAS 1 and IFRS practice statements 2 'Making Materiality Judgments') from July 01, 2023. Although the amendment did not result in any changes to the accounting policies themselves, it has affected the accounting policy information disclosed in the financial statements. The amendments require disclosure of 'material', rather than 'significant' accounting policies. The amendments also provide the guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful entity specific accounting policy information that user need to understand other information in the financial statements.

2.5.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after July 01, 2024:

- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. 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. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).
- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that 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. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.

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- 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.
- Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7) introduce two new disclosure objectives for accompany to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. Under the amendments, companies also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement. The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in IFRS 7 on factors a company might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities. The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.
- Amendment in IAS 21 'The Effects of Changes in Foreign Exchange Rates', - lack of exchangeability (effective for annual reporting periods beginning on or after January 1, 2025) a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.
- IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. SECP vide its SRO 1715(I)/2023 dated November 21, 2023 has directed that IFRS 17 shall be followed for the period commencing January 1, 2026 by companies engaged in insurance / takaful and re-insurance / re-takaful business
- The International Accounting Standards (the IASB or the Board) issued Amendments to IFRS 9 and IFRS 7. Amendments to the Classification and Measurement of Financial Instruments. The amendments:
 - Clarify that a financial liability is derecognised on the 'settlement date', i.e., when the related obligation is discharged or cancelled or expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.
 - Clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-Linked features and other similar contingent features.
 - Clarify the treatment of non-recourse assets and contractually linked instruments (CLI)
 - Require additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income (FVTOCI).
- Annual Improvements - Volume Eleven:
 - Hedge Accounting by a First-time Adopter (Amendments to IFRS 1) - Paragraphs B5 and B6 of IFRS 1 have been amended to include cross references to the qualifying criteria for hedge accounting in paragraph 6.4.1(a), (b) and (c) of IFRS 9. The amendments are intended to address potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9.

Review

- Gain or Loss on Derecognition (Amendments to IFRS 7) - Paragraph B38 of IFRS 7 has been amended to update the language on unobservable inputs and to include a cross reference to paragraphs 72 and 73 of IFRS 13 Fair Value Measurement
- Introduction (Amendments to Guidance on implementing IFRS 7) - Paragraph IG1 of the Guidance on implementing IFRS 7 has been amended to clarify that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7, nor does it create additional requirements.
- Disclosure of Deferred Difference between Fair Value and Transaction Price (Amendments to Guidance on implementing IFRS 7) - Paragraph IG14 of the Guidance on implementing IFRS 7 has been amended mainly to make the wording consistent with the requirements in paragraph 28 of IFRS 7 and with the concepts and terminology used in IFRS 9 and IFRS 13.
- Credit Risk Disclosures (Amendments to Guidance on implementing IFRS 7) - Paragraph IG20B of the Guidance on implementing IFRS 7 has been amended to simplify the explanation of which aspects of the IFRS requirements are not illustrated in the example.
- Lessee Derecognition of Lease Liabilities (Amendments to IFRS 9) - Paragraph 2.1 of IFRS 9 has been amended to clarify that, when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 and recognise any resulting gain or loss in profit or loss. However, the amendment does not address how a lessee distinguishes between a lease modification as defined in IFRS 16 Leases and an extinguishment of a lease liability in accordance with IFRS 9.
- Transaction Price (Amendments to IFRS 9) - Paragraph 5.1.3 of IFRS 9 has been amended to replace the reference to 'transaction price as defined by IFRS 15 Revenue from Contracts with Customers' with 'the amount determined by applying IFRS 15'. The use of the term "transaction price" in relation to IFRS 15 was potentially confusing and so it has been removed. The term was also deleted from Appendix A of IFRS 9.
- Determination of a 'De Facto Agent' (Amendments to IFRS 10) - Paragraph B74 of IFRS 10 has been amended to clarify that the relationship described in 874 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor. The amendment is intended to remove the inconsistency with the requirement in paragraph B73 for an entity to use judgement to determine whether other parties are acting as de facto agents.
- Cost Method (Amendments to IAS 7) - Paragraph 37 of IAS 7 has been amended to replace the term 'cost method' with 'at cost', following the prior deletion of the definition of 'cost method'.

The above standards, amendments to approved accounting standards and interpretations have not been early adopted by the Company and are not likely to have any material impact on the Company's financial statements.

Other than the aforesaid standards, interpretations and amendments, IASB has also issued the following standards and interpretation, which have not been notified locally or declared exempt by the SECP as at June 30, 2024:

- IFRS 1 (First-time Adoption of International Financial Reporting Standards)
- IFRS 18 (Presentation and Disclosure in Financial Statements)
- IFRS 19 (Subsidiaries without Public Accountability: Disclosures)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material 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.

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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 Levies

A levy is an outflow of resources embodying economic benefits imposed by the government that does not meet the definition of income tax provided in the International Accounting Standard (IAS) 12 'Income Taxes' because it is not based on taxable profit.

In these financial statements, levy includes Final tax liability under various sections of Income Tax Ordinance, 2001.

3.6 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.

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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.

3.7 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.

3.8 Financial assets

3.8.1 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.

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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.

3.8.2 *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.

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