

**AUDITED FINANCIAL STATEMENTS  
OF  
FDM CAPITAL SECURITIES  
(PRIVATE) LIMITED  
FOR THE YEAR ENDED  
JUNE 30, 2020**

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

## INDEPENDENT AUDITORS' REPORT

To the members of FDM Capital Securities (Private) Limited

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the annexed financial statements of **M/s. FDM Capital Securities (Private) Limited** (the Company), which comprise the statement of financial position as at **June 30, 2020**, 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, 2020 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.



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

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

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

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

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

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## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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



**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
Chartered Accountants

Karachi

Date: 05 OCT 2020

FDM CAPITAL SECURITIES (PRIVATE) LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2020

ASSETS	Note	2020	2019
Rupees			
<b>Non current assets</b>			
Property and equipment	4	11,647,147	13,580,258
Intangible assets	5	3,500,000	3,500,000
Long term deposit	6	4,100,000	4,050,000
		<u>19,247,147</u>	<u>21,130,258</u>
<b>Current assets</b>			
Trade debts - Considered good and secured	7	21,287,047	10,249,116
Short term investments-at fair value through profit or loss	8	117,745,532	103,292,850
Advances, deposits, prepayments and other receivables	9	9,462,508	12,153,025
Taxation - net	10	6,632,540	8,681,477
Bank balances	11	109,405,226	61,164,575
		<u>264,532,853</u>	<u>195,541,043</u>
		<u>283,780,000</u>	<u>216,671,301</u>
<b>EQUITIES AND LIABILITIES</b>			
<b>Capital and reserves</b>			
<i>Authorized Capital</i>			
1,500,000 (2019: 1,500,000) ordinary shares of Rs. 100/ each		<u>150,000,000</u>	<u>150,000,000</u>
<i>Issued subscribed and paid up capital</i>			
1,300,000 (2019: 1,300,000) ordinary shares of Rs. 100/- each fully paid in cash		130,000,000	130,000,000
Unappropriated profit		44,483,877	25,316,915
Surplus on remeasurement of investments		-	-
		<u>174,483,877</u>	<u>155,316,915</u>
<b>Long term liabilities</b>			
Loan from Directors	12	2,500,000	2,500,000
<b>Current liabilities</b>			
Trade and other payables	13	106,768,444	56,990,447
Markup accrued		27,679	1,863,939
		<u>106,796,123</u>	<u>58,854,386</u>
<b>Contingencies and commitments</b>	14	-	-
		<u>283,780,000</u>	<u>216,671,301</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

FDM CAPITAL SECURITIES (PRIVATE) LIMITED  
 STATEMENT OF PROFIT OR LOSS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019
Operating revenue	15	34,381,315	21,362,026
Capital loss on investment-net		(2,407,103)	(22,064,546)
Net unrealized loss on remeasurement of investments to fair value		16,190,415	(53,864,652)
		<u>48,164,627</u>	<u>(54,567,172)</u>
<b>Operating expenses</b>			
Administrative expenses	16	26,628,905	25,584,775
Finance cost	17	345,031	7,482,667
		<u>(26,973,936)</u>	<u>(33,067,442)</u>
Operating loss		21,190,691	(87,634,614)
Other income / charges - net	18	702,701	13,638,942
Profit / (loss) before taxation		<u>21,893,392</u>	<u>(73,995,672)</u>
Taxation	19	(2,726,430)	(1,595,715)
Profit / (loss) after taxation		<u><u>19,166,962</u></u>	<u><u>(75,591,387)</u></u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

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 CHIEF EXECUTIVE

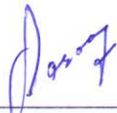
  
 DIRECTOR

FDM CAPITAL SECURITIES (PRIVATE) LIMITED  
STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	<u>Rupees</u>	
Profit / (loss) after taxation	19,166,962	(75,591,387)
<i>Other comprehensive income / (loss)</i>		
Total comprehensive income / (loss) for the year	<u>19,166,962</u>	<u>(75,591,387)</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

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CHIEF EXECUTIVE



DIRECTOR

FDM CAPITAL SECURITIES (PRIVATE) LIMITED  
 STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED JUNE 30, 2020

	Issued, subscribed & paid up capital	Unappropriated profit	Surplus on remeasurement of investment	Total
	Rupees			
Balance as at July 301, 2018 (as restated)	130,000,000	88,572,004	15,461,074	234,033,078
Effect of adoption of new accounting	-	(3,124,776)	-	(3,124,776)
Loss after taxation	-	(75,591,387)	-	(75,591,387)
Reclassification of surplus on investment upon reclassification of long term investment to short term investment	-	15,461,074	(15,461,074)	-
<b>Balance as at June 30, 2019</b>	<b>130,000,000</b>	<b>25,316,915</b>	<b>-</b>	<b>155,316,915</b>
Profit / (loss) after taxation	-	19,166,962	-	19,166,962
<b>Balance as at June 30, 2020</b>	<b>130,000,000</b>	<b>44,483,877</b>	<b>-</b>	<b>174,483,877</b>

The annexed notes from 1 to 28 form an integral part of these financial statements.

  
 CHIEF EXECUTIVE

  
 DIRECTOR




FDM CAPITAL SECURITIES (PRIVATE) LIMITED  
 STATEMENT OF CASHFLOWS  
 FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	21,893,392	(73,995,672)
<i>Adjustment for:</i>		
Depreciation	2,004,411	2,317,811
Gain on disposal of office premises	-	(13,335,465)
Provision / (Reversal) of impairment loss on trade debts	1,692,558	(272,608)
Finance cost	345,031	7,482,667
<i>Cash used in operating activities before working capital changes</i>	<u>25,935,392</u>	<u>(77,803,267)</u>
 <i>Effect of cash flows due to working capital changes</i>		
<b>(Increase) / decrease in current assets</b>		
Trade debtors	(12,730,489)	(2,969,334)
Advances, deposits, prepayments and other receivable	2,690,517	(11,680,380)
	(10,039,972)	(14,649,714)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	49,777,997	(57,309,493)
Cash generated from / (used in) operations	<u>65,673,417</u>	<u>(149,762,474)</u>
Finance cost paid	(2,181,291)	(5,618,728)
Long term deposit paid	(50,000)	(150,000)
Tax paid	(677,493)	(4,568,825)
<b>Net cash generated from / (used in ) operating activities</b>	<u>62,764,633</u>	<u>(160,100,027)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Purchase) of investments - net	(14,452,682)	164,731,197
Disposal of office premises	-	18,779,040
Capital expenditure	(71,300)	(3,101,000)
<b>Net cash (used in) / generated from investing activities</b>	<u>(14,523,982)</u>	<u>180,409,237</u>
Net increase in cash and cash equivalents during the year	48,240,651	20,309,210
Cash and cash equivalents at beginning of the year	61,164,575	40,855,365
Cash and cash equivalents at closing of the year	<u>109,405,226</u>	<u>61,164,575</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

  
 CHIEF EXECUTIVE

  
 DIRECTOR

**FDM CAPITAL SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**1 STATUS AND ACTIVITIES**

The FDM Capital Securities (Private) limited (the "Company") was incorporated in Pakistan on July 29, 2001 as a private limited company under the repealed Companies Ordinance, 1984 (the "Ordinance") which has now been replaced by Companies Act, 2017.

The registered office of the Company is located at room no. 620-621, Stock Exchange Building, Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange) Road, Karachi.

The Company is a corporate member of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). The company has also acquired membership of the Pakistan Mercantile Exchange Limited & Commodities Exchange.

The principal activities include trading and brokerage for equities, underwriting of public issues, etc.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of such International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 (the Act), and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2 Basis of measurement**

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

**2.3 Functional and presentation currency**

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

**2.4 Use of estimates and judgments**

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

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



- (a) Useful lives and residual values of property and equipment
- (b) Useful lives and residual values of intangible asset
- (c) Useful live and residual value of investment property
- (d) 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, 2020

The Company has adopted the following amendments, interpretations and improvements to International Financial reporting standards (IFRS) which became effective during the year;

#### New standards and amendments

- IFRS 9 Prepayment features with negative compensation (Amendment)
- IFRS 14 Regulatory deferral accounts
- IFRS 16 Leases
- IFRS 16 COVID 19 related rent concessions (Amendments)
- IFRS 19 Plan amendment, curtailment or settlement (Amendments)
- IFRS 28 Long term interest in associate and joint ventures (Amendments)
- IFRIC 23 Uncertainty over income tax treatments

#### Improvement to accounting standards issued by IASB (2015-17 cycle)

- IFRS 03 Business combination - Previously held interest In a joint operation
- IFRS 11 Joint arrangements - Previously held interest In a joint operation
- IAS 12 Income taxes consequence of payments on financial instruments classified as equity
- IAS 23 Borrowing cost - borrowing cost eligible for capitalisation

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

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

The following standards and amendments with respect to the accounting and reporting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard and amendment:

Amendments to IFRS 3, 'Business Combinations'	January 01, 2020
Amendments to IAS 1, 'Presentation of financial statements'	January 01, 2020
Amendments to IAS 8, 'Accounting policies, change in estimate and error'	January 01, 2020
Amendments to IFRS 9 and 7 'Financial Instruments' - Disclosures	January 01, 2020
Amendments to IFRS 16, 'Leases'	June 01, 2020
IFRS 17, 'Insurance Contracts'	January 01, 2023
Amendments to IAS 16, 'Property, plant and equipments'	January 01, 2022
Amendments to IAS 37, 'Provisions, Contingent liabilities and assets'	January 01, 2022

The above standards and amendments are not expected to have any material impact on the Company's financial statements.

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### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Property and equipment

##### Owned

Property and equipments are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises expenditure that is directly attributable to the acquisition of the asset including borrowing costs.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statement of profit or loss as and when incurred except major repairs which are capitalized.

Depreciation on all property and equipment is charged using reducing balance method in accordance with the rates specified in note 5 to these financial statements. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each statement of financial position date. Depreciation on additions is charged from the date when the assets become available for use till the date of disposal.

#### 3.2 Intangible assets

##### *Computer software*

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged using reducing balance method over assets estimated useful life at the rates stated in note 6.1, after taking into accounts residual value, if any. The residual values, useful life and amortization methods are reviewed and adjusted, if appropriate, at balance sheet date.

Amortization on additions is charged from the month the assets are put to use while no amortization is charged in the month in which the assets are disposed off.

Gain and losses on disposal of such assets, if any, are included in the profit and loss account.

##### *Trading Rights Entitlement (TRE) Certificate*

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

#### 3.3 Trade debts and other receivables

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

#### 3.4 Cash and Cash equivalents

Cash in hand and at banks are carried at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, bank balances and short term borrowings.

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### 3.5 Trade and other payables

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

### 3.6 Taxation

#### *Current tax*

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

### 3.7 Provisions

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

### 3.8 Financial instruments

#### 3.8.1 *Classification and initial measurement*

The Company classifies its financial instruments in the following categories:

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

#### *(a) Financial assets measured at amortized cost*

A financial asset is measured at amortized cost if it is held within business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

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

#### *(b) Financial assets at FVOCI*

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; or
- it is an investment in equity instrument which is designated as at fair value through other comprehensive income in accordance with the irrevocable election available to the Company to at initial recognition.

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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.

(c) *Financial assets at FVTPL*

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

Such financial assets are initially measured at fair value.

**3.8.2 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 profit and loss account.

(b) *Financial assets at FVOCI*

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

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

(c) *Financial assets at FVTPL*

These assets are subsequently measured at fair value.

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

**3.8.3 Impairment**

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

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

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#### 3.8.4 *De-recognition*

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

#### 3.9 *Financial liabilities*

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit and loss account.

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

#### 3.10 *Offsetting of financial assets and financial liabilities*

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

#### 3.11 *Offsetting of financial assets and financial liabilities*

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

#### 3.12 *Related party transactions*

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

#### 3.13 *Revenue recognition*

##### *Revenue from trading activities*

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

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

The Company does not expect to have contracts where the period between the services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

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### Dividend income

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

### Interest income

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

## 4 PROPERTY AND EQUIPMENT

	Furniture and Fixture	Office Equipment	Vehicles	Computers	Office Premises	Total
<b>At June 30, 2018</b>						
Cost	462,735	2,114,307	9,964,629	5,569,002	36,175,040	54,285,713
Accumulated depreciation	(354,114)	(1,446,117)	(5,712,276)	(5,469,293)	(23,063,269)	(36,045,069)
Net book value	108,621	668,190	4,252,353	99,709	13,111,771	18,240,644
<b>Year ended June 30, 2019</b>						
Opening net book value	108,621	668,190	4,252,353	99,709	13,111,771	18,240,644
Additions / (disposals)	-	-	3,101,000	-	(5,443,575)	(2,342,575)
Depreciation charge	(10,862)	(66,819)	(1,093,453)	(29,913)	(1,116,764)	(2,317,811)
Closing net book value	97,759	601,371	6,259,900	69,796	6,551,432	13,580,258
<b>At June 30, 2019</b>						
Cost	462,735	2,114,307	13,065,629	5,569,002	30,731,465	51,943,138
Accumulated depreciation	(364,976)	(1,512,936)	(6,805,729)	(5,499,206)	(24,180,033)	(38,362,880)
Net book value	97,759	601,371	6,259,900	69,796	6,551,432	13,580,258
<b>Year ended June 30, 2020</b>						
Opening net book value	97,759	601,371	6,259,900	69,796	6,551,432	13,580,258
Additions	-	14,000	-	57,300	-	71,300
Depreciation charge	(9,776)	(60,962)	(1,251,980)	(26,550)	(655,143)	(2,004,411)
Closing net book value	87,983	554,409	5,007,920	100,546	5,896,289	11,647,147
<b>At June 30, 2020</b>						
Cost	462,735	2,128,307	13,065,629	5,626,302	30,731,465	52,014,438
Accumulated depreciation	(374,752)	(1,573,898)	(8,057,709)	(5,525,756)	(24,835,176)	(40,367,291)
Net book value	87,983	554,409	5,007,920	100,546	5,896,289	11,647,147
Annual rates of depreciation	10%	10%	20%	30%	10%	

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5	INTANGIBLE ASSETS	Notes	2020	2019
			Rupees	
	Membership card - Pakistan Mercantile Exchange Ltd	5.1	1,000,000	1,000,000
	Software	5.2	-	-
	<i>Trading Rights Entitlement (TRE) Certificate</i>			
	Cost		8,170,850	8,170,850
	Impairment		(5,670,850)	(5,670,850)
		5.3	2,500,000	2,500,000
			3,500,000	3,500,000

5.1 This represents cost of membership card of Pakistan Mercantile Exchange Limited with indefinite useful life.

5.2	Software	2020	2019
		Rupees	
	Acquisition cost	3,606,820	3,606,820
	Accumulated balance of amortization	(3,606,820)	(3,606,820)
		-	-

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

6	LONG TERM DEPOSIT	2020	2019
		Rupees	
	National Clearing Company of Pakistan Ltd - DFC deposit	1,000,000	1,000,000
	Central Depository Company of Pakistan Ltd	100,000	100,000
	National Clearing Company of Pakistan Ltd - Security deposit	400,000	200,000
	Pakistan Mercantile Exchange Ltd	2,500,000	2,500,000
	National Clearing Company of Pakistan Ltd - Ready exposure deposit	100,000	100,000
	Other deposits	-	150,000
		4,100,000	4,050,000

#### 7 TRADE DEBTS - Considered good and secured

	Trade receivables - gross	25,831,773	13,101,284
	Less: Impairment against trade receivable	(4,544,726)	(2,852,168)
		21,287,047	10,249,116

7.1 The Company holds equity securities having fair value of Rs.647.05 million (2019: Rs 490.92 million) owned by its clients, as collaterals against trade debts.

7.2	Movement in provision for doubtful trade debts	2020	2019
		Rupees	
	Balance at the beginning of the year (as previously reported)	2,852,168	-
	Add: Effect of application of IFRS 9	-	3,124,776
	Balance at the beginning of the year (restated)	2,852,168	3,124,776
	Charged during the year	1,692,558	-
	Reversed during the year	-	(272,608)
	Balance at the end of the year	4,544,726	2,852,168

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8	SHORT TERM INVESTMENTS <i>At fair value through profit or loss</i>	Notes	2020	2019
			Rupees	
	<i>Quoted equity securities</i>			
	Cost of investments		252,422,986	254,160,719
	Surplus on remeasurement of investments		(136,150,468)	(152,340,883)
			<u>116,272,518</u>	<u>101,819,836</u>
	Dawood Family Takaful Limited		1,473,014	1,473,014
			<u>117,745,532</u>	<u>103,292,850</u>

8.1	Fair value of of pledged securities indicating separately securities belonging to customers is as under:	2020	2019
		Rupees	
	Clients	53,315,679	37,261,212
	Brokerage House	94,294,863	65,832,482
		<u>147,610,542</u>	<u>103,093,694</u>

9	ADVANCE, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	2020	2019
	Future exposure & loss with NCCPL	6,116,210	11,800,015
	Other Receivables	3,346,298	353,010
		<u>9,462,508</u>	<u>12,153,025</u>

10	TAXATION - NET	2020	2019
	Advance tax	9,358,970	22,815,173
	Provision for taxation	(2,726,430)	(17,106,806)
		<u>6,632,540</u>	<u>5,708,367</u>

11	CASH AND BANK BALANCES	2020	2019
	<i>Cash at hand</i>	10,848	-
	<i>Cash at bank</i>		
	- current account	109,324,011	60,938,528
	- saving account	70,367	226,047
		<u>109,394,378</u>	<u>61,164,575</u>
		<u>109,405,226</u>	<u>61,164,575</u>

11.1 This amount carries markup @ of 3.5% to 5% per annum (2019 :7% to 7.5%).

11.2 Bank balances include customers' bank balances held in designated bank accounts amounting to Rs. 104.68 million (2019: Rs. 56.668 million).

12	LOAN FROM DIRECTORS	Note	2020	2019
			Rupees	
	Directors' loan	12.1	<u>2,500,000</u>	<u>2,500,000</u>

12.1 This represent long term unsecured and interest free loan from sponsoring directors. The above loan has not been amortised as the financial impact of unwinding is not considered to be material on the financial statements.

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	2020	2019
	Rupees	
<b>13 TRADE AND OTHER PAYABLES</b>		
Creditors	104,029,871	54,951,156
Dealer commission payable	1,315,750	1,633,616
Accrued expenses and other payables	1,422,823	405,675
	<u>106,768,444</u>	<u>56,990,447</u>

**14 CONTINGENCIES AND COMMITMENTS**

14.1 In respect of tax years 2012 and 2013, Deputy Commissioner Inland Revenue has imposed Federal Excise Duty amounting to Rs 8,690,625/- vide its order dated June 29, 2015. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) and obtained a stay order from the Honorable Sindh High Court in this regard.

14.2 There are no commitments as at 30 June 2020 (2019: Nil)

	2020	2019
	Rupees	
<b>15 OPERATING REVENUE</b>		
Brokerage Commission income	49,898,489	24,230,686
Less: brokerage commission expense	(20,391,649)	(11,821,012)
	<u>29,506,840</u>	<u>12,409,674</u>
Dividend income	3,302,012	8,397,688
Profit on future cash margin	1,558,279	554,664
Profit on BMC Cash Deposit	14,184	-
	<u>34,381,315</u>	<u>21,362,026</u>

**16 ADMINISTRATIVE EXPENSE**

Directors' remuneration		2,784,000	2,784,000
Salaries, benefits and allowances		7,900,660	7,557,498
Legal and professional charges		760,433	952,500
CDC charges		-	2,680,723
PSX and SECP charges		884,855	1,433,582
NCCPL charges		995,401	1,273,196
Printing and stationery		465,057	143,210
Auditor's remuneration	16.1	450,000	400,000
Rent, rates and taxes		363,902	247,365
Electricity charges		1,278,213	1,014,480
Entertainment expenses		1,052,119	348,900
Repair and maintenance		508,783	494,022
Communication expense		3,844,620	2,621,423
Depreciation	4	2,004,411	2,317,811
Provision for doubtful debts		1,692,558	-
General expense		1,643,893	1,316,065
		<u>26,628,905</u>	<u>25,584,775</u>

**16.1 Auditor's remuneration**

Statutory auditors remuneration		350,000	300,000
Certification and advisory services		100,000	100,000
		<u>450,000</u>	<u>400,000</u>

			2020		2019
17	<b>FINANCE COST</b>	<i>Note</i>	—————	Rupees	—————
	Bank charges		60,308		84,503
	Markup on short term borrowings	17.1	284,723		7,398,164
			<u>345,031</u>		<u>7,482,667</u>

17.1 The Company has obtained running finance facility from Habib Metropolitan Bank for working capital requirements. Mark up is accrued @ 3 month KIBOR + 3% per annum. The arrangement is secured against pledge of shares with 40% margin.

			2020		2019
18	<b>OTHER INCOME /CHARGES</b>	<i>Note</i>	—————	Rupees	—————
	Gain on disposal of office premises		-		13,335,465
	Impairment against receivables		-		272,608
	Profit on bank deposit		31,072		30,869
	Others		671,629		-
			<u>702,701</u>		<u>13,638,942</u>

19	<b>TAXATION</b>				
	Current tax		2,726,430		7,241,803
	Prior year tax		-		9,865,003
			<u>2,726,430</u>		<u>17,106,806</u>

19.1 The income tax assessments of the Company have been finalised up to and including the tax year 2019. Tax returns are deemed to be assessed under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select the deemed assessment order for audit.

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

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

Particulars	2020			2019		
	Chief Executive	Director	Total	Chief Executive	Director	Total
Managerial Remuneration(Rupees)	1,392,000	1,392,000	2,784,000	1,392,000	1,392,000	2,784,000
Number of persons	1	1	2	1	1	2

**21 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties comprise of key management personnel and directors and their close family members, major shareholders of the Company. Transaction with related parties are on arm's length. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment. Transactions with related parties during the year and balances as at year has been disclosed in the relevant notes to the financial statements.

## 22.1 Financial risk management

The Company is exposed to a variety of financial risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. The Board of Directors of the Company has the overall responsibility for the establishment and oversight of Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

## (i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk in respect of trade debtors, long term deposits, short term advances and bank balances.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of an entity's performance to developments affecting a particular industry.

The Company attempts to control credit risk by diversification of financing activities to avoid undue concentration of credit risk with individuals or groups of customers in specific locations or businesses, monitoring credit exposures, limiting transactions to specific counterparties and continually assessing the credit worthiness of counterparties. It also obtains securities when appropriate.

A financial asset is regarded as credit impaired as and when it falls under the definition of a 'defaulted' financial asset. For the Company's internal credit management purposes, a financial asset is considered as defaulted when it is past due for 365 days or more.

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

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

	2020	2019
	Rupees	
Long term deposits	4,100,000	4,050,000
Trade debts	21,287,047	10,249,116
Advances, deposits and other receivable	9,462,508	12,153,025
Bank balances	109,405,226	61,164,575
	<u>144,254,781</u>	<u>87,616,716</u>

At each reporting date, Company assessed its trade debts for impairment, however, based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors considered good do not require any impairment except as disclosed in note 7 to the financial statements. None of the other financial assets are either past due or impaired.

The Company held collaterals in respect of trade debts. The Company have not recognised any loss allowance in respect of trade receivable for which the Company held collaterals.

(ii) **Liquidity risk**

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

	2020			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
<b>Financial liabilities</b>				
Trade and other payables	106,768,444	106,768,444	106,768,444	-
Accrued markup	27,679	27,679	27,679	-
	<u>106,796,123</u>	<u>106,796,123</u>	<u>106,796,123</u>	<u>-</u>
	2019			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
<b>Financial liabilities</b>				
Trade and other payables	56,990,447	56,990,447	56,990,447	-
Accrued markup	1,863,939	1,863,939	1,863,939	-
	<u>58,854,386</u>	<u>58,854,386</u>	<u>58,854,386</u>	<u>-</u>

(iii) **Market risk**

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

(a) *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As of the reporting date, the Company was not exposed to any foreign currency risk as all its transactions were carried out in Pak Rupees.

(b) *Interest rate risk*

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

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

	2020	2019	2020	2019
	Effective interest rate (%)		Carrying amounts (Rs.)	
<b>Financial assets</b>				
Bank deposits - PLS account	3.50% - 5%	7.0% - 7.5%	<u>70,367</u>	<u>226,047</u>
<b>Financial liabilities</b>				
Short term borrowings	3 Months KIBOR + 3%	3 Months KIBOR + 3%	<u>-</u>	<u>-</u>

### Sensitivity analysis

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

#### (c) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest / markup rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Company exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 117.745 million (2019: Rs. 103.293) at the reporting date. The Company manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

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

### Sensitivity analysis

The table below summarises the Company's equity price risk as at June 30, 2020 and shows the effect of a hypothetical 5% increase or decrease in market prices as at the reporting date. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenario. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Company's equity investment portfolio.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in equity
June 30, 2020	117,745,532	5% change	123,632,809	5,887,277
June 30, 2019	103,292,850	5% change	108,457,493	5,164,643

	2020	2019
	----- Rupees -----	
<b>22.2 Financial instruments by category</b>		
<b>Financial assets</b>		
<i>At fair value through profit or loss</i>		
Short term investments	117,745,532	103,292,850
<i>At amortized cost</i>		
Long term deposits	4,100,000	4,050,000
Trade debts	21,287,047	10,249,116
Advances, trade deposits and other receivables	9,462,508	12,153,025
Bank balances	109,405,226	61,164,575
	<u>144,254,781</u>	<u>87,616,716</u>

	2020	2019
	----- Rupees -----	
<b>Financial liabilities</b>		
<i>At amortised cost</i>		
Loan from director	2,500,000	2,500,000
Trade and other payables*	106,768,444	56,990,447
Accrued Markup	27,679	1,863,939
	<u>109,296,123</u>	<u>61,354,386</u>

### 22.3 Fair value hierarchy

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

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

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

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

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

Following is the fair value hierarchy of financial assets carried at fair value in the balance sheet:

	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
<b>June 30, 2020</b>				
Short term investments	116,272,518	-	1,473,014	117,745,532
	<u>116,272,518</u>	<u>-</u>	<u>1,473,014</u>	<u>117,745,532</u>
<b>June 30, 2019</b>				
Short term investments	101,819,836	-	1,473,014	103,292,850
	<u>101,819,836</u>	<u>-</u>	<u>1,473,014</u>	<u>103,292,850</u>

## 23 CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

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

### 23.1 Capital adequacy level

The Capital adequacy level as required by CDC is calculated as follows:

	2020	2019
	----- Rupees -----	
Total assets	283,780,000	216,671,301
Total liabilities	(109,296,123)	(61,354,386)
Surplus of revaluation of fixed asset	-	-
Capital adequacy level	<u>174,483,877</u>	<u>155,316,915</u>

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

23.2 **Net capital balance**

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

<u>DESCRIPTION</u>	<u>VALUATION</u>	<u>RUPEES</u>
<b><u>CURRENT ASSETS</u></b>		
Cash and Bank Balances	As per Book Value	115,083,616
Trade Receivables	Book Value less overdue for more than 14 days	15,030,903
Investment in listed securities in the name of broker.	Securities marked to market less 15% discount	76,346,238
Securities purchased for client	Securities purchased for the client and held by the member where the payment has not been received within 14 days.	10,800,870
Listed TFCs/Corporate Bonds of not less than BBB grade assigned by a credit rating company in Pakistan	Marked to market less 10% discount.	-
FIBs	Marked to market less 5% discount.	-
Treasury Bill	At market value	-
		<u>217,261,627</u>
<b><u>CURRENT LIABILITIES</u></b>		
Trade Payables	Book value less overdue for more than 30 days	63,582,565
Other Liabilities	As per Book values	43,213,558
		<u>106,796,123</u>
<b>NET CAPITAL BALANCE AS AT JUNE 30, 2020</b>		<u>110,465,504</u>

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## Notes to the Net Capital Balance

Rupees

**1 Cash and bank balances**

Cash in hand	59,648
Exposure deposit	7,977,195
Bank balance pertaining to clients	97,623,461
Bank balance pertaining to brokerage house	70,848,834
	<u>176,509,138</u>

**2 Trade receivables**

<i>Trade receivables - Regular</i>	
Receivable balance	14,022,107
Less: overdue for more than 14 days	(12,266,664)
	<u>1,755,443</u>
<i>Trade receivables - Margin finance</i>	
Receivable balance	61,182,661
Less: overdue for more than 14 days	(32,855,004)
	<u>28,327,657</u>

**3 Investment in Listed Securities in the name of broker**

Securities marked to market	38,875,842
Less 15%	(5,831,376)
	<u>33,044,466</u>

**4 Securities purchased for client**

<i>Trade receivables - Regular</i>	
Overdue balance for more than 14 days	12,266,664
Lower of overdue balance and securities held against such balance	<u>1,367,299</u>
<i>Trade receivables - Margin finance</i>	
Overdue balance for more than 14 days	32,855,004
Lower of overdue balance and securities held against such balance	<u>32,855,004</u>

**5 Trade payables**

Book value	97,124,760
Less: overdue for more than 30 days	(34,447,928)
	<u>62,676,832</u>

**6 Other liabilities**

Creditors overdue for more than 30 days	34,447,928
Accrued Liabilities and Other Payables	4,026,486
	<u>38,474,414</u>

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23.3 Liquid capital balance

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

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
<b>I. Assets</b>				
1.1	Property & Equipment	11,647,147	100.00%	-
1.2	Intangible Assets	3,500,000	100.00%	-
1.3	Investment in Govt. Securities	-	-	-
	<b>Investment in Debt. Securities</b>	-		
	<b>If listed than:</b>			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.	-	5.00%	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	7.50%	-
1.4	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	10.00%	-
	<b>If unlisted than:</b>			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.	-	10.00%	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	12.50%	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	15.00%	-
	<b>Investment in Equity Securities</b>			
1.5	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	89,819,103	21,403,156	68,415,947
	ii. If unlisted, 100% of carrying value.	1,473,014	100.00%	-
	iii. Subscription money against Investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.	-		
	iv. 100% Haircut shall be applied to Value of Investment in any asset including shares of listed securities that are in Block, Freeze or Pledge status as on reporting date. Provided that 100% haircut shall not be applied in case of investment in those securities which are Pledged in favor of Stock Exchange / Clearing House against Margin Financing requirements or pledged in favor of Banks against Short Term financing arrangements. In such cases, the haircut as provided in schedule III of the Regulations in respect of investment in securities shall be applicable (August 25, 2017)	26,453,415	100.00%	-
1.6	Investment in subsidiaries	-	100.00%	-
	<b>Investment in associated companies/undertaking</b>			
1.7	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	100.00%	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	10,216,210	100.00%	-
1.9	Margin deposits with exchange and clearing house.	-	-	-
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	-	100.00%	-
	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc. (Nil)	-	-	-
1.12	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	100.00%	-
1.13	Dividends receivables.	-	-	-
	Amounts receivable against Repo financing.			
1.14	Amount paid as purchaser under the REPO agreement. ( <i>Securities purchased under repo arrangement shall not be included in the investments.</i> )	-	-	-
	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	-		-
1.15	Receivables other than trade receivables	9,978,838	100.00%	-

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S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	<b>Receivables from clearing house or securities exchange(s)</b>			
1.16	i. 100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-
	ii. Receivable on entitlements against trading of securities in all markets including MtM gains.	-	-	-
	<b>Receivables from customers</b>			
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. <i>i. Lower of net balance sheet value or value determined through adjustments.</i>	-	-	-
	ii. In case receivables are against margin trading, 5% of the net balance sheet value. <i>ii. Net amount after deducting haircut</i>	-	5.00%	-
1.17	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, <i>iii. Net amount after deducting haircut</i>	-	-	-
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. <i>iv. Balance sheet value</i>	7,000,734	-	7,000,734
	v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. <i>v. Lower of net balance sheet value or value determined through adjustments</i>	18,748,972	14,286,308	14,286,308
	<i>vi. 100% haircut in the case of amount receivable from related parties.</i>	82,067	100.00%	-
	<b>Cash and Bank balances</b>			
1.18	i. Bank Balance-proprietary accounts	4,707,870	-	4,707,870
	ii. Bank balance-customer accounts	104,686,508	-	104,686,508
	iii. Cash in hand	10,848	-	10,848
1.19	<b>Total Assets</b>	<b>288,324,726</b>		<b>199,108,215</b>

## 2. Liabilities

	<b>Trade Payables</b>			
2.1	i. Payable to exchanges and clearing house	-	-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	104,029,871	-	104,029,871
	<b>Current Liabilities</b>			
	i. Statutory and regulatory dues	-	-	-
	ii. Accruals and other payables	2,766,252	-	2,766,252
	iii. Short-term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
2.2	v. Current portion of long term liabilities	-	-	-
	vi. Deferred Liabilities	-	-	-
	vii. Provision for bad debts	4,544,726	-	4,544,726
	viii. Provision for taxation	-	-	-
	ix. Other liabilities as per accounting principles and included in the financial statements	-	-	-

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S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	<b>Non-Current Liabilities</b>			
	i. Long-Term financing	-	-	-
	a. Long-Term financing obtained from financial institution: Long term portion of financing obtained from a financial institution including amount due against finance lease	-	-	-
	b. Other long-term financing	2,500,000	-	2,500,000
	ii. Staff retirement benefits	-	-	-
2.3	iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Board of Directors of the company has approved the increase in capital c. Relevant Regulatory approvals have been obtained d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e. Auditor is satisfied that such advance is against the increase of capital.	-	-	-
	iv. Other liabilities as per accounting principles and included in the financial statements	-	-	-
	<b>Subordinated Loans</b>	-	-	-
2.4	i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified: a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period b. No haircut will be allowed against short term portion which is repayable within next 12 months. c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.	-	-	-
	ii. Subordinated loans which do not fulfill the conditions specified by SECP	-	-	-
2.5	<b>Total Liabilities</b>	113,840,849		113,840,849
<b>3. Ranking Liabilities Relating to :</b>				
	<b>Concentration in Margin Financing</b>			
3.1	The amount calculated client-to-client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-	-	-
	<b>Concentration in securities lending and borrowing</b>			
3.2	The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-
	<b>Net underwriting Commitments</b>			
3.3	<b>(a) in the case of right issue :</b> if the market value of securities is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting	-	-	-
	<b>(b) in any other case :</b> 12.5% of the net underwriting commitments	-	-	-

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S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	<b>Negative equity of subsidiary</b>			
3.4	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
	<b>Foreign exchange agreements and foreign currency positions</b>			
3.5	5% of the net position in foreign currency. Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
	<b>Repo adjustment</b>			
3.7	<b>In the case of financier/purchaser</b> the total amount receivable under Repo less the 110% of the market value of underlying securities. <b>In the case of financee/seller</b> the market value of underlying securities after applying haircut less the total amount received, less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
	<b>Concentrated proprietary positions</b>			
3.8	If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security. If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security	-	-	-
	<b>Opening Positions in futures and options</b>			
3.9	i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/ pledged with securities exchange after applying VaR haircuts ii. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met	-	-	-
	<b>Short sell positions</b>			
3.10	i. In case of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts ii. In case of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.	-	-	-
3.11	<b>Total Ranking Liabilities</b>	-	-	-
		<u>174,483,877</u>	<u>Liquid Capital</u>	<u>85,267,366</u>

## 24 NUMBER OF EMPLOYEES

Number of persons employed by the Company as on the year end are 29 (2019: 29) and average number of employees during the year were 29 (2019: 29).

## 25 PATTERN OF SHAREHOLDING

Name of Shareholders	2020		2019	
	Shares held	% of holding	Shares held	% of holding
Mohammad Farooq Moosa	1,299,700	99.98%	1,299,700	99.98%
Mohammad Munir	300	0.02%	300	0.02%
	<u>1,300,000</u>	<u>100%</u>	<u>1,300,000</u>	<u>100%</u>

25.1 There is no agreement with shareholders for voting rights, board selection, rights of first refusal and block voting.

26 **IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS**

On 30 January 2020, the World Health Organization (WHO) declared the outbreak a "Public Health Emergency of International Concern" and on 11 March 2020, the WHO declared the COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many countries, including Pakistan, have taken stringent steps to help contain further spread of the virus. While these events and conditions have resulted in general economic uncertainty, management has evaluated the impact of COVID-19 and concluded that there are no material implications of COVID-19 on the operations of the Company that require specific disclosure in the financial statements. Neither the Company operations were significantly effected due to COVID-19 during the year nor is expected to be adversely affected in the near future. Further, COVID-19 has no impact on the presented amounts and disclosures.

27 **APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors and authorized for issue on 05 OCT 2020.

28 **GENERAL**

Figures have been rounded off to the nearest rupee and corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison.

  
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CHIEF EXECUTIVE

  
\_\_\_\_\_  
DIRECTOR