AUDITED FINANCIAL STATEMENTS
OF
FDM CAPITAL SECURITIES
(PRIVATE) LIMITED
FOR THE YEAR ENDED
JUNE 30, 2021

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

Russell Bedford
taking you further

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the members of 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, 2021**, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information ('the financial statements'), and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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

Basis for Opinion

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980);

e) the Company was in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licencing and Operations) Regulations, 2016 as at the date on which the statement of financial position was prepared.

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

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Karachi
Date: 27 SEP 2021

FDM Capital Securities (Private) Limited

Statement of Financial Position

As at June 30, 2021

	Note	2021	2020
ASSETS		——— Rupees ———	
Non current assets			
Property and equipment	4	**13,024,925**	11,647,147
Intangible assets	5	**3,500,000**	3,500,000
Long term deposit	6	**4,000,000**	4,100,000
		20,524,925	19,247,147
Current assets			
Trade debts - Considered good and secured	7	**73,428,733**	21,287,047
Short term investments-at fair value through profit or loss	8	**197,059,936**	117,745,532
Loans, advances, deposits and other receivables	9	**72,494,545**	9,462,508
Taxation - net	10	**-**	6,632,540
Bank balances	11	**159,576,708**	109,405,226
		502,559,922	264,532,853
		523,084,847	283,780,000
EQUITIES AND LIABILITIES			
Capital and reserves			
Authorized Capital			
1,500,000 (2020: 1,500,000) ordinary shares of Rs. 100/ each		**150,000,000**	150,000,000
Issued subscribed and paid up capital			
1,390,000 (2020: 1,300,000) ordinary shares of Rs. 100/- each fully paid in cash		**139,000,000**	130,000,000
Capital contribution from a Director		**5,900,852**	-
Unappropriated profit		**165,951,022**	44,483,877
		310,851,874	174,483,877
Non-current liabilities			
Loan from a Directors	12	**28,059,123**	2,500,000
Current liabilities			
Trade and other payables	13	**178,635,137**	106,768,444
Taxation - net	10	**5,508,616**	-
Markup accrued		**30,097**	27,679
		184,173,850	106,796,123
Contingencies and commitments	14	**-**	-
		523,084,847	283,780,000

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, 2021

	Note	2021	2020
		Rupees	
Operating revenue	15	**85,936,649**	34,381,315
Capital gain / (loss) on investment-net		**8,203,590**	(2,407,103)
Net unrealized gain on remeasurement of investments to fair value		**71,110,814**	16,190,415
		165,251,053	48,164,627
Operating expenses			
Administrative expenses	16	**33,428,792**	26,628,905
Finance cost	17	**709,383**	345,031
		(34,138,175)	(26,973,936)
Operating gain		**131,112,878**	21,190,691
Other income / charges - net	18	**5,205,175**	702,701
Profit / (loss) before taxation		**136,318,053**	21,893,392
Taxation	19	**(14,850,908)**	(2,726,430)
Profit / (loss) after taxation		**121,467,145**	19,166,962

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 Other Comprehensive Income

For the year ended June 30, 2021

	2021	2020
	Rupees	
Profit / (loss) after taxation	**121,467,145**	19,166,962
Other comprehensive income / (loss)		
Total comprehensive income / (loss) for the year	**121,467,145**	19,166,962

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 Changes in Equity

For the year ended June 30, 2021

	Issued, subscribed & paid up capital	Unappropriated profit	Capital Contribution from the Director	Total
	Rupees			
Balance as at June 30, 2019	130,000,000	25,316,915	-	155,316,915
Profit / (loss) after taxation	-	19,166,962	-	19,166,962
Balance as at June 30, 2020	130,000,000	44,483,877	-	174,483,877
Right shares issued	9,000,000	-	-	9,000,000
Effect of discounting of loan term loan from director (refer note 12)	-	-	5,900,852	5,900,852
Profit / (loss) after taxation	-	121,467,145	-	121,467,145
Balance as at June 30, 2021	**139,000,000**	**165,951,022**	**5,900,852**	**310,851,874**

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 Cash Flows

For the year ended June 30, 2021

	Note	2021	2020
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		136,318,053	21,893,392
Adjustment for:			
Depreciation on property & equipment	4	1,669,135	2,004,411
Finance cost	17	709,383	345,031
Gain on disposal of vehicle	18	(103,934)	-
Provision / (Reversal) of impairment loss on trade debts	18	(2,423,612)	1,692,558
Cash used in operating activities before working capital changes		136,169,025	25,935,392
Effect of cash flows due to working capital changes			
(Increase) / decrease in current assets			
Trade debtors	7	(49,718,074)	(12,730,489)
Short term investments	8	(79,314,404)	(14,452,682)
Loans, advances, deposits and other receivables	9	(63,032,037)	2,690,517
		(192,064,515)	(24,492,654)
Increase / (decrease) in current liabilities			
Trade and other payables	13	71,866,693	49,777,997
Cash generated from / (used in) operations		15,971,203	51,220,735
Finance cost paid		(246,990)	(2,181,291)
Tax paid		(2,709,752)	(677,493)
Net cash generated from / (used in) operating activities		13,014,461	48,361,951
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of vehicle		600,000	-
Long term deposit		100,000	(50,000)
Capital expenditure		(3,542,979)	(71,300)
Net cash (used in) / generated from investing activities		(2,842,979)	(121,300)
CASH FLOWS FROM FINANCING ACTIVITIES			
Right shares issued		9,000,000	-
Loan from directors		31,000,000	-
Net cash generated from investing activities		40,000,000	-
Net increase in cash and cash equivalents during the year		50,171,482	48,240,651
Cash and cash equivalents at beginning of the year		109,405,226	61,164,575
Cash and cash equivalents at closing of the year		159,576,708	109,405,226

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, 2021

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 Branch office of the Company is located at Suit no. 506, 5th Floor, Emrald Tower. Near 2 Talwar, Clifton, Block - 5, 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.

(a) Useful lives and residual values of property and equipment

(b) Effective interest rate use to determine the present value of future cash flows of long term loan from director.

(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, 2021.*

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

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

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

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

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

- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are not likely to affect the financial statements of the Company.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after January 01, 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are not likely to affect the financial statements of the Company.

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

- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current amendments apply retrospectively for the annual periods beginning on or after January 01, 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The management of the Company is currently in the process of assessing the impacts of these amendments to these financial statements.

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

  a. requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  b. clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  c. clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

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

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

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

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

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

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

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

  - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any. Cost 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 4. Depreciation is charged when the asset is available for use till the asset is disposed off. Further, when the written down value of the item of assets falls below Rs.10,000, the same is charged directly to the statement of profit or loss.

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. The Company's estimate of residual value of property and equipment as at June 30, 2021 did not require any adjustment.

3.2 Intangible

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

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 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.

3.5 Taxation

Income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current tax

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

Deferred tax

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

A deferred tax asset is recognised only to the extent that the entity has sufficient taxable temporary differences or their 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 realised.

Judgment and estimates

Significant judgment is required in determining the income tax expenses and corresponding provision for tax. The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

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 recognised deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Offsetting

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 realise the asset and settle the liability simultaneously.

3.6 Provisions and contingent liabilities

Provisions

A provision is recognised 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 recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

Contingent liabilities

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

3.7 Financial instruments

3.7.1 *Initial recognition, classification and measurement*

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

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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. However, the Company follows trade date accounting for its own (the house) investments. Trade date is the date on which the Company commits to purchase or sell its asset.

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); and

(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 amortised 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.

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

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.

3.7.2 *Subsequent measurement*

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets at FVOCI

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

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

3.7.3 *Impairment*

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

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

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

The Company measures expected credit losses on financial assets in a way that reflects an unbiased and probability-weighted amount, time value of money and reasonable and supportable information at the reporting date about the past events, current conditions and forecast of future economic conditions. The Company recognises in profit or loss, as an impairment loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

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

3.7.4 *De-recognition*

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

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

3.8 *Financial*

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.

3.9 *Offsetting of financial assets and financial liabilities*

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

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3.10 *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 *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.

3.12 *Revenue*

Revenue from trading activities

Commission revenue from trading of securities is recegnized 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.

Dividend income

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

Interest income

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

4 PROPERTY AND EQUIPMENT

	Furniture and Fixture	Office Equipment	Vehicles	Computers	Office Premises	Total
At June 30, 2019						
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
For the year ended June 30, 2020						
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
At June 30, 2020						
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**
For the year ended June 30, 2021						
Opening net book value	**87,983**	**554,409**	**5,007,920**	**100,546**	**5,896,289**	**11,647,147**
Additions	**1,920,949**	**911,732**	**-**	**710,298**	**-**	**3,542,979**
Disposals			**(496,066)**			**(496,066)**
Cost	**-**	**-**	**2,400,000**	**-**	**-**	**2,400,000**
Accumulated Depreciation	**-**	**-**	**(1,903,934)**	**-**	**-**	**(1,903,934)**
Depreciation charge	**(13,211)**	**(63,643)**	**(916,842)**	**(85,810)**	**(589,629)**	**(1,669,135)**
Closing net book value	**1,995,721**	**1,402,498**	**3,595,012**	**725,034**	**5,306,660**	**13,024,925**
At June 30, 2021						
Cost	**2,383,684**	**3,040,039**	**10,665,629**	**6,336,600**	**30,731,465**	**53,157,417**
Accumulated depreciation	**(387,963)**	**(1,637,541)**	**(7,070,617)**	**(5,611,566)**	**(25,424,805)**	**(40,132,492)**
Net book value	**1,995,721**	**1,402,498**	**3,595,012**	**725,034**	**5,306,660**	**13,024,925**
Annual rates of depreciation	**10%**	**10%**	**20%**	**30%**	**10%**	

5 INTANGIBLE ASSETS

	Note	2021	2020
		Rupees	
Membership card - Pakistan Mercantile Exchange Limited	*5.1*	**1,000,000**	1,000,000
Software	*5.2*	**-**	-
Trading Rights Entitlement (TRE) Certificate			
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.

		2021	2020
		Rupees	
5.2	**Software**		
	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 (TRECs) in lieu of its membership card of PSX. These have been carried at cost less impairment.

		2021	2020
		Rupees	
6	**LONG TERM DEPOSIT**		
	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	**200,000**	400,000
	Pakistan Mercantile Exchange Ltd	**2,500,000**	2,500,000
	National Clearing Company of Pakistan Ltd - Ready exposure deposit	**200,000**	100,000
		4,000,000	4,100,000

7	**TRADE DEBTS - Considered good and secured**			
	Trade receivables - gross		**75,549,847**	25,831,773
	Less: Impairment against trade receivable	*7.2*	**(2,121,114)**	(4,544,726)
			73,428,733	21,287,047

7.1 The Company holds equity securities having fair value of Rs. 1,103 million (2020: Rs 647.05 million) owned by its clients, as collaterals against trade debts.

		2021	2020
		Rupees	
7.2	**Movement in provision for doubtful trade debts**		
	Balance at the beginning of the year	**4,544,726**	2,852,168
	Charged during the year	**-**	1,692,558
	Reversed during the year	**(2,423,612)**	-
	Balance at the end of the year	**2,121,114**	4,544,726

8	**SHORT TERM INVESTMENTS**		
	At fair value through profit or loss		
	Quoted equity securities		
	Investment in quoted equity securities	**195,586,922**	116,272,518
	UnQuoted equity securities		
	Investment in Dawood Family Takaful Limited	**1,473,014**	1,473,014
		197,059,936	117,745,532

8.1 Fair value of pledged securities indicating separately securities belonging to customers is as under:

	Note	2021	2020
		Rupees	
Clients		**96,831,525**	53,315,679
Brokerage House		**158,134,280**	94,294,863
		254,965,805	147,610,542

9 LOANS, ADVANCES, DEPOSITS AND OTHER RECEIVABLES

	2021	2020
Exposure & loss deposit with NCCPL	**69,173,851**	6,116,210
Loans to employees - unsecured	**571,000**	-
Dividend Receivable	**103,000**	-
Other Receivables	**2,646,694**	3,346,298
	72,494,545	9,462,508

10 TAXATION - NET

	2021	2020
Advance tax	**9,342,292**	9,358,970
Provision for taxation	**(14,850,908)**	(2,726,430)
	(5,508,616)	6,632,540

11 CASH AND BANK BALANCES

	Note	2021	2020
Cash at hand		**42,674**	10,848
Cash at bank			
- current account		**159,425,071**	109,324,011
- saving account	*11.1*	**108,963**	70,367
		159,534,034	109,394,378
		159,576,708	109,405,226

11.1 This amount carries interest ranging from 5% to 6% per annum (2020: 3.5% to 5%).

11.2 Bank balances include customers' bank balances held in designated bank accounts amounting to Rs. 138.30 million (2020: Rs. 104.68 million).

12 LOAN FROM A DIRECTOR

	2021	2020
	Rupees	
Opening balance	**2,500,000**	2,500,000
Loan received during the year	**31,000,000**	-
Effect of discounting of the loan credited to equity	**(5,900,852)**	-
Effect of unwinding of loan during the year	**459,975**	-
Closing balance	**28,059,123**	2,500,000

12.1 During the year, the company received an interest free loan of Rs. 31 million from the director (Mr. Munir) for the purpose of working capital financing. Since the loan is to be repaid after 2 years from the date of disbursement, it has been discounted at the company's borrowing rate of KIBOR + 3%. Hence the company measured it at its present value in accordance with the requirement of IFRS 9 *Financial Instruments* and Technical release 32 *Accounting Director's Loan* issued by the Institute of Chartered Accountant of Pakistan (ICAP).

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		Note	2021	2020
			Rupees	

13 TRADE AND OTHER PAYABLES

Creditors		**137,494,005**	104,029,871
Dealer commission payable		**2,894,288**	1,315,750
Dealer tax payable		**1,202,184**	-
Exposure withheld		**30,648,528**	-
Profit withheld		**1,391,203**	-
Accrued expenses and other payables		**5,004,929**	1,422,823
		178,635,137	106,768,444

14 CONTINGENCIES AND COMMITMENTS

14.1 There are no material contingencies as at 30 June 2021.

14.2 There are no commitments as at 30 June 2021 (2020: Nil)

15 OPERATING REVENUE

Brokerage Commission income		**136,754,291**	49,898,489
Less: brokerage commission expense		**(58,672,045)**	(20,391,649)
		78,082,246	29,506,840
Book building & IPO commission		**633,060**	-
Dividend income		**5,252,876**	3,302,012
Profit on future cash margin		**1,966,938**	1,558,279
Profit on BMC Cash Deposit		**1,529**	14,184
		85,936,649	34,381,315

16 ADMINISTRATIVE EXPENSE

Directors' remuneration		**2,784,000**	2,784,000
Salaries, benefits and allowances		**10,921,306**	7,900,660
Legal and professional charges		**474,550**	760,433
PSX and SECP charges		**2,194,020**	884,855
NCCPL charges		**1,678,683**	995,401
Printing and stationery		**471,078**	465,057
Auditor's remuneration	*16.1*	**851,600**	450,000
Rent, rates and taxes		**7,010**	363,902
Electricity charges		**647,962**	1,278,213
Entertainment expenses		**1,070,378**	1,052,119
Repair and maintenance		**4,102,561**	508,783
Communication expense		**3,066,616**	3,844,620
Depreciation	*4*	**1,669,135**	2,004,411
Provision for doubtful debts		-	1,692,558
General expense		**3,489,893**	1,643,893
		33,428,792	26,628,905

	Note	2021	2020
		Rupees	

16.1 Auditor's remuneration

Statutory auditors remuneration		**600,000**	350,000
Certification and advisory services		**251,600**	100,000
		851,600	450,000

17 FINANCE COST

	Note	2021	2020
Interest on unwinding of long term loan from director		**459,975**	-
Bank charges		**72,897**	60,308
Markup on short term borrowings	*17.1*	**176,511**	284,723
		709,383	345,031

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.

18 OTHER INCOME /CHARGES

	2021	2020
	Rupees	
Gain on disposal of Vehicle	**103,934**	-
Impairment against receivables	**2,423,612**	-
Profit on bank deposit	**185,090**	31,072
Rental Income	**360,000**	-
Others	**2,132,539**	671,629
	5,205,175	702,701

19 TAXATION

	2021	2020
Current tax	**14,850,908**	2,726,430
Prior year tax	-	-
	14,850,908	2,726,430

19.1 The income tax assessments of the Company have been finalised up to and including the tax year 2020. 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	2021			2020		
	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.

21.1

Name of the related party, relationship with company and Nature of Transaction	Note	2021	2020
		Rupees	
KEY MANAGEMENT PERSONNEL			
Muhammad Farooq (CEO / Director)			
Balances at the year end			
Trade Payable at year end		115,658	119,069
Muhammad Munir (Director)			
Transaction during the year			
Commision earned on sale and purchase of securities		108,893	45,160
Balances at the year end			
Trade Payable at year end		982,443	867,110
CLOSE FAMILY MEMBERS OF KEY MANAGEMENT PERSONNEL			
Faizan Farooq			
Balances at the year end			
Trade Payable at year end		1,333,112	1,358,798
Qasim Farooq			
Balances at the year end			
Trade Payable at year end		33,410	44,172
Anjum Banoo			
Balances at the year end			
Trade Receivable at year end		-	82,066
Trade Payable at year end		1,645,985	-
Abdul Basit Munir			
Balances at the year end			
Trade Receivable at year end		1,382	750
Muqeet Munir			
Balances at the year end			
Trade Receivable at year end		-	65
Trade Payable at year end		82,192	-

21.2 The company charges no commission from the directors, their spouses and their children.

21.3 The company's branch office, suit no. 506, 5th Floor, Emrald Tower. Near 2 Talwar, Clifton, Block - 5, Karachi has been rented to the company by Mr Faizan Farooq(CEO's child). As per the rent agreement the property has been rented to the company for Rs 1,000 per month for a period of 4 years.

22 FINANCIAL INSTRUMENTS

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:

	2021	2020
	Rupees	
Long term deposits	**4,000,000**	4,100,000
Trade debts	**73,428,733**	21,287,047
Advances, deposits and other receivable	**72,494,545**	9,462,508
Bank balances	**159,576,708**	109,405,226
	309,499,986	144,254,781

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.

Impairment losses:

As of the reporting date, the risk profile of the trade receivables as of the reporting date is as follows:

	2021		2020	
	Gross Carrying amount	Life time expected credit losses	Gross Carrying amount	Life time expected credit losses
	---------- Rupees ----------			
Past due 1-30 days	69,012,706	54,942	17,269,025	631,906
Past due 31-180 days	2,824,508	44,618	3,552,855	518,908
Past due 181-365 days	767,633	159,616	1,372,055	968,308
More than 365 days	2,945,000	1,861,938	3,637,838	2,425,604
	75,549,847	2,121,114	25,831,773	4,544,726

c) The credit quality of Company's bank balances as at the balance sheet date can be assessed with reference to external credit ratings as follows:

	2021	2020
	Rupees	
AA+	137,577,761	108,724,412
AAA	21,956,273	669,966
	159,534,034	109,394,378

(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:

	2021			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
Financial liabilities				
Trade and other payables	178,635,137	178,635,137	178,635,137	-
Accrued markup	30,097	30,097	30,097	-
	178,665,234	178,665,234	178,665,234	-

	2020			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
Financial liabilities				
Trade and other payables	106,768,444	106,768,444	106,768,444	-
Accrued markup	27,679	27,679	27,679	-
	106,796,123	106,796,123	106,796,123	-

(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:

	2021	2020	**2021**	2020
	Effective interest rate (%)		**Carrying amounts (Rs.)**	
Financial assets				
Bank deposits - PLS *account*	**5% - 6%**	3.50% - 5%	**108,963**	70,367
Financial liabilities				
Short term borrowings	3 Months KIBOR + 3%	3 Months KIBOR + 3%	-	-

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. 197.059 million (2020: Rs. 117.745) at the reporting date. The Company manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

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

Sensitivity analysis

The table below summarises the Company's equity price risk as at June 30, 2021 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, 2021	**197,059,936**	**5% change**	**206,912,933**	**9,852,997**
June 30, 2020	117,745,532	5% change	123,632,809	5,887,277

22.2 Financial instruments by category

	2021	2020
	--------- Rupees -------	
Financial assets		
At fair value through profit or loss		
Short term investments	**197,059,936**	117,745,532
At amortized cost		
Long term deposits	**4,000,000**	4,100,000
Trade debts	**73,428,733**	21,287,047
Advances, trade deposits and other receivables	**72,494,545**	9,462,508
Bank balances	**159,576,708**	109,405,226
	309,499,986	144,254,781

	2021	2020
Financial liabilities	--------- Rupees -------	
At amortised cost		
Loan from a Directors	**28,059,123**	-
Loan from director	**2,500,000**	2,500,000
Trade and other payables	**178,635,137**	106,768,444
Accrued Markup	**30,097**	27,679
	209,224,357	109,296,123

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
June 30, 2021	Rupees			
Short term investments	**195,586,922**	-	**1,473,014**	**197,059,936**
	195,586,922	-	**1,473,014**	**197,059,936**

	Level 1	Level 2	Level 3	Total
June 30, 2020	Rupees			
Short term investments	116,272,518	-	1,473,014	117,745,532
	116,272,518	-	1,473,014	117,745,532

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:

	2021	2020
	Rupees	
Total assets	**523,084,847**	283,780,000
Less: Total liabilities	**(212,232,973)**	(109,296,123)
Less: Revaluation reserves (created upon revaluation of fixed asset)	**-**	-
Capital adequacy level	**310,851,874**	174,483,877

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.

DESCRIPTION	VALUATION	RUPEES
CURRENT ASSETS		
Cash and Bank Balances	As per Book Value	227,655,098
Trade Receivables	Book Value less overdue for more than 14 days	65,932,622
Investment in listed securities in the name of broker.	Securities marked to market less 15% discount	128,081,754
Securities purchased for client	Securities purchased for the client and held by the member where the payment has not been received within 14 days.	6,556,514
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 les 5% discount.	-
Treasury Bill	At market value	-
		428,225,988
CURRENT LIABILITIES		
Trade Payables	Book value less overdue for more than 30 days	102,332,840
Other Liabilities	As per Book values	76,332,394
		178,665,234
NET CAPITAL BALANCE AS AT JUNE 30, 2021		**249,560,754**

Notes to the Net Capital Balance

		Rupees
1	**Cash and bank balances**	
	Cash in hand	42,674
	Deposit against exposure	68,078,390
	Bank balance pertaining to clients	138,307,053
	Bank balance pertaining to brokerage house	21,226,981
		227,655,098
2	**Trade receivables**	
	Book Value	75,549,847
	Less: overdue for more than 14 days	(9,617,225)
		65,932,622
3	**Investment in Listed Securities in the name of broker**	
	Securities marked to market	150,684,417
	Less 15%	(22,602,663)
		128,081,754
4	**Securities purchased for client**	
	Overdue balance for more than 14 days	9,617,225
	Lower of overdue balance and securities held against such balance	6,556,514
5	**Trade payables**	
	Book value	137,494,005
	Less: overdue for more than 30 days	(35,161,165)
		102,332,840
6	**Other liabilities**	
	Creditors overdue for more than 30 days	35,161,165
	Accrued liabilities and other payables	41,171,229
		76,332,394

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
1. Assets				
1.1	Property & Equipment	13,024,925	100.00%	-
1.2	Intangible Assets	3,500,000	100.00%	-
1.3	Investment in Govt. Securities	-	-	-
1.4	**Investment in Debt. Securities**	-		
	If listed than:			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.	-	5.00%	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	7.50%	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	10.00%	-
	If unlisted than:			
	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%	-
1.5	**Investment in Equity Securities**			
	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.	195,586,922	(68,996,209)	126,590,713
	ii. If unlisted, 100% of carrying value.	1,473,014	100.00%	-
1.6	Investment in subsidiaries	-	100.00%	-
1.7	**Investment in associated companies/undertaking**			
	i. If listed 20% or VaR of each securities as computed by the Securites 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.	4,000,000	100.00%	-
1.9	Margin deposits with exchange and clearing house.	68,078,390	-	68,078,390
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	-	100.00%	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil)	-	-	-
	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	100.00%	-
1.13	Dividends receivables.	103,000	-	103,000
1.14	Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. ***(Securities purchased under repo arrangement shall not be included in the investments.)***	-	-	-
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	571,000	-	571,000
	ii. Advance Tax to the extend it is netted with provision of taxation.	-	-	-
	iii. Other Receivables other than trade receivables	2,646,694	100.00%	-

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1.16	**Receivables from clearing house or securities exchange(s)**			
	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.	1,095,461	-	1,095,461
1.17	**Receivables from customers**			
	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. Lower of net balance sheet value or value determined through adjustments.*	-	-	-
	ii. Incase receivables are against margin trading, 5% of the net balance sheet value. *ii. Net amount after deducting haircut*	-	5.00%	-
	iii. Incase receivalbes are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, *iii. Net amount after deducting haricut*	-	-	-
	iv. Incase of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. *iv. Balance sheet value*	50,685,741	-	50,685,741
	v. Incase 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. *v. Lower of net balance sheet value or value determined through adjustments*	22,741,610	21,657,298	21,657,298
	vi. 100% haircut in the case of amount receivable form related parties.	1,382	100.00%	-
1.18	**Cash and Bank balances**			
	I. Bank Balance-proprietory accounts	21,226,981	-	21,226,981
	ii. Bank balance-customer accounts	138,307,053	-	138,307,053
	iii. Cash in hand	42,674	-	42,674
1.19	Subscription money against investment in IPO / offer for sale (asset)	-	-	-
1.20	**Total Assets**	**523,084,847**		**428,358,311**

2. Liabilities				
2.1	**Trade Payables**			
	i. Payable to exchanges and clearing house	-	-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	137,494,005	-	137,494,005
2.2	**Current Liabilities**			
	i. Statutory and regulatory dues	-	-	-
	ii. Accruals and other payables	41,171,229	-	41,171,229
	iii. Short-term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long term liabilities	-	-	-
	vi. Deferred Liabilities	-	-	-
	vii. Provision for taxation	5,508,616	-	5,508,616
	viii. Other liabilities as per accounting principles and included in the financial statements	-	-	-

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
2.3	**Non-Current Liabilities**			
	i. Long-Term financing	-	-	-
	a. Long-Term financing obtained from financial instituion: Long term portion of financing obtained from a financial institution including amount due against finance lease	-	-	-
	b. Other long-term financing	-	-	-
	ii. Staff retirement benefits	-	-	-
	iii. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.4	**Subordinated Loans**	-	-	-
	100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted.	28,059,123	28,059,123	-
2.5	**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 in capital.	-	-	-
2.6	**Total Liabilites**	**212,232,973**		**184,173,850**
3. Ranking Liabilities Relating to :				
3.1	**Concentration in Margin Financing**			
	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.	-	-	-
3.2	**Concentration in securites lending and borrowing**			
	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	-	-	-
3.3	**Net underwriting Commitments**			
	<u>**(a) in the case of right issuse :**</u> if the market value of securites 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 issuse where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting	-	-	-
	<u>**(b) in any other case :**</u> 12.5% of the net underwriting commitments	-	-	-

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	Negative equity of subsidiary			
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	-	-	-
	Foreign exchange agreements and foreign currency positions			
3.5	5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign cuurency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
	Repo adjustment			
3.7	**In the case of financier/purchaser** the total amount receivable under Repo less the 110% of the market value of underlying securites. **In the case of financee/seller** the market value of underlying securities after applying haircut less the total amount received ,less value of any securites deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
	Concentrated proprietary positions			
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	-	-	-
	Opening Positions in futures and options			
3.9	i. In case of customer positions, the total margin requiremnets in respect of open postions less the amount of cash deposited by the customer and the value of securites held as collateral/ pledged with securities exchange after applyiong VaR haircuts	-	19,660,231	19,660,231
	ii. In case of proprietary positions , the total margin requirements in respect of open positions to the extent not already met	-	361,035	361,035
	Short selll positions			
3.10	i. Incase 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. Incase of proprietory 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	**Total Ranking Liabilites**	-	**20,021,266**	**20,021,266**
		310,851,874	**Liquid Capital**	**224,163,195**

24 NUMBER OF EMPLOYEES

Number of persons employed by the Company as on the year end are 31 (2020: 29) and average number of employees during the year were 26 (2020: 29).

25 PATTERN OF SHAREHOLDING

	2021		2020	
Name of Shareholders	**Shares held**	**% of holding**	Shares held	% of holding
Mohammad Farooq Moosa	**1,299,997**	**93.52%**	1,299,997	100.00%
Mohammad Munir	**90,003**	**6.48%**	3	0.00%
	1,390,000	**100%**	1,300,000	100%

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 27 SEP 2021.

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.

CHIEF EXECUTIVE

DIRECTOR