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Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

**AUDITED FINANCIAL STATEMENTS
OF
INTERMARKET SECURITIES LIMITED
FOR THE YEAR ENDED
JUNE 30, 2021**

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CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the members of Intermarket Securities Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Intermarket Securities Limited** (the Company), which comprise the statement of financial position as at June 30, 2021, and the statement of profit or loss account, 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 account, 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 and other 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 / Institute of Cost and Management Accountants (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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss account, 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;
- no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

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: 16 SEP 2021

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Intermarket Securities Limited

Statement of Financial Position

As at June 30, 2021

		2021	(Restated) 2020	(Restated) 2019
ASSETS	Note	Rupees		
Non-current assets				
Property and equipment	4	28,751,989	33,695,241	37,743,740
Intangible assets	5	3,301,590	3,846,695	4,183,369
Long term investment	6	30,127,296	30,127,296	30,127,296
Long term deposits	7	15,685,095	2,284,105	10,055,838
Deferred tax asset	18	-	-	-
		<u>77,865,970</u>	<u>69,953,337</u>	<u>82,110,243</u>
Current assets				
Short term investments	8	49,878,288	97,024,622	35,747,219
Trade debts	9	374,534,138	373,578,478	302,982,437
Receivables against margin financing	10	177,216,440	132,038,484	26,063,056
Advances, deposits, prepayment and other receivables	11	581,407,360	145,638,102	185,935,368
Taxation - net	12	54,134,741	81,242,852	84,418,095
Short term loan	13	61,456,012	61,456,012	61,456,012
Cash and Bank balances	14	297,971,450	128,098,007	260,910,576
		<u>1,596,598,429</u>	<u>1,019,076,558</u>	<u>957,512,763</u>
Total assets		<u><u>1,674,464,399</u></u>	<u><u>1,089,029,895</u></u>	<u><u>1,039,623,006</u></u>
EQUITY AND LIABILITIES				
Share capital and reserves				
<i>Authorized capital</i>				
100,000,000 (2020: 100,000,000) ordinary shares of Rs.10/- each		<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid-up capital	15	503,404,510	503,404,510	200,559,560
<i>Revenue reserves</i>				
Unappropriated profit		555,068,168	361,540,344	403,173,976
<i>Capital reserve</i>				
Surplus on revaluation of investment at FVOCI		-	2,860,092	2,860,092
		<u>1,058,472,678</u>	<u>867,804,946</u>	<u>606,593,628</u>
Non-current liabilities				
Subordinated loan from a director	16	-	-	244,558,676
Long term finance	17	-	2,587,484	7,182,496
Deferred tax liability	18	-	-	18,825,668
		-	2,587,484	270,566,840
Current liabilities				
Short term borrowings - secured	19	-	64,983,560	-
Provident fund payable to employees		7,335,105	-	-
Trade and other payables	20	608,656,616	149,089,528	154,380,676
Current portion of long term finance	17	-	2,879,782	4,831,005
Accrued markup on short term borrowings		-	1,684,595	3,250,857
		<u>615,991,721</u>	<u>218,637,465</u>	<u>162,462,538</u>
Contingencies and commitments	21			
Total equity and liabilities		<u><u>1,674,464,399</u></u>	<u><u>1,089,029,895</u></u>	<u><u>1,039,623,006</u></u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

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Chief Executive

Director

Intermarket Securities Limited

Statement of Profit or Loss

For the year ended June 30, 2021

	Note	2021 Rupees	2020
Operating revenue	22	539,996,245	266,199,298
Capital gain / (loss) on sale of investment at FVTPL- net		57,608,760	(3,738,054)
Net change in unrealized gain / (loss) on remeasurement of investments at FVTPL		4,652,094	(18,128,418)
		<u>602,257,099</u>	<u>244,332,826</u>
Administrative expenses	23	(364,552,556)	(215,245,789)
Finance costs	24	(12,233,341)	(21,439,493)
Other income	25	9,205,265	5,957,441
Profit before taxation		<u>234,676,467</u>	<u>13,604,985</u>
Taxation	26	(44,008,735)	6,203,328
Profit after taxation		<u><u>190,667,732</u></u>	<u><u>19,808,313</u></u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

for



Chief Executive



Director

Intermarket Securities Limited

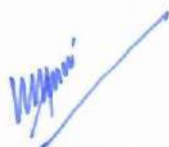
Statement of Comprehensive Income

For the year ended June 30, 2021

	2021	2020
	Rupees	
Profit before taxation	190,667,732	19,808,313
Other comprehensive income		
<i>Items that will not be classified subsequently to the statement of profit or loss</i>		
Unrealized loss on remeasurement of investment at FVOCI - net	-	(3,095,120)
Total comprehensive income for the year	190,667,732	16,713,193

The annexed notes from 1 to 34 form an integral part of these financial statements.

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Chief Executive



Director

Intermarket Securities Limited

Statement of Changes in Equity

For the year ended June 30, 2021

		Revenue reserve	Capital reserve	
	Issued, subscribed and paid up share capital	Unappropriated profits	Surplus on revaluation of investment at FVOCI	Total
	Rupees			
Balance as at June 30, 2019 (as previously reported)	200,559,560	394,307,881	2,860,092	597,727,533
Effect of Correction of Error (Note no. 32)	-	8,866,095	-	8,866,095
Balance as at June 30, 2019 (as restated)	200,559,560	403,173,976	2,860,092	606,593,628
Profit after taxation	-	19,808,313	-	19,808,313
Other comprehensive loss for the year	-	-	(3,095,120)	(3,095,120)
Total comprehensive loss for the year ended June 30, 2020	-	19,808,313	(3,095,120)	16,713,193
Loss realised on disposal of investments at FVOCI	-	(3,095,120)	3,095,120	
Issue of 30,284,495 right shares @ Rs. 10 per share (note 16.2)	302,844,950	-	-	302,844,950
Unwinding impact of director's loan (note 16)	-	(58,346,825)	-	(58,346,825)
Balance as at June 30, 2020	503,404,510	361,540,344	2,860,092	867,804,946
Profit after taxation	-	190,667,732	-	190,667,732
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year ended June 30, 2021	-	190,667,732	-	190,667,732
Transfer of revaluation	-	2,860,092	(2,860,092)	
Balance as at June 30, 2021	503,404,510	555,068,168	-	1,058,472,678

The annexed notes from 1 to 34 form an integral part of these financial statements.

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Chief Executive

Director

Intermarket Securities Limited

Statement of Cash Flows

For the year ended June 30, 2021

		2021	2020
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		234,676,467	13,604,985
<i>Adjustments for:</i>			
- Depreciation on property and equipment	4	5,455,148	6,548,031
- Amortization of intangible assets	5.2	200,397	336,674
- Net change in unrealized (gain) / loss on re-measurement of investments at FVTPL		(4,652,094)	18,128,418
- Capital (gain) / loss on investment		(57,608,760)	3,738,054
- Net (purchase) / sale of investments		109,407,188	(86,238,995)
- Loss on disposal of property and equipment	23	515,323	1,007,345
- Provision for expected credit losses on trade debts		5,084,982	576,213
- Receivables and deposits written off		7,297,161	45,089,824
- Irrecoverable amount due from dealers written off		2,018,182	-
- Property and equipment written off		5,518,375	-
- Intangible assets written off		695,608	-
- Finance costs	24	12,233,341	27,093,768
		<u>86,164,851</u>	<u>16,279,332</u>
		320,841,318	29,884,317
Changes in working capital items			
<i>(Increase) / decrease in current assets</i>			
- Trade debts		(13,337,801)	(110,273,059)
- Receivables against margin financing		(45,177,956)	(105,975,428)
- Advances, deposits, prepayments and other receivables		(435,769,258)	34,308,245
		<u>(494,285,015)</u>	<u>(181,940,242)</u>
<i>Increase / (decrease) in current liabilities</i>			
- Trade and other payables		459,567,087	(5,351,699)
- Provident fund payables		7,335,105	-
Cash generated from / (used in) operations		<u>293,458,495</u>	<u>(157,407,624)</u>
Finance cost paid		(13,917,936)	(28,660,027)
Income tax paid		(16,900,624)	(9,447,097)
Net cash generated from / (used in) operating activities		<u>262,639,935</u>	<u>(195,514,748)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(11,235,979)	(7,984,964)
Purchase of intangible assets		(350,900)	-
Proceeds from disposal of fixed assets		2,672,203	4,478,085
Long term deposits		(13,400,990)	7,771,733
Net cash (used in) / generated from investing activities		<u>(22,315,666)</u>	<u>4,264,854</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance repaid		(5,467,266)	(6,546,235)
Net cash used in financing activities		<u>(5,467,266)</u>	<u>(6,546,235)</u>
Net increase / (decrease) in cash and cash equivalents		234,857,003	(197,796,129)
Cash and cash equivalents at the beginning of the period		63,114,447	260,910,576
Cash and cash equivalents at the end of the period	27	<u>297,971,450</u>	<u>63,114,447</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.



Chief Executive



Director

Intermarket Securities Limited

Notes to the Financial Statements

For the year ended June 30, 2021

1 STATUS AND ACTIVITIES

1.1 Intermarket Securities Limited ('the Company') was incorporated in Pakistan as a private limited company on September 06, 2002 under the repealed Companies Ordinance, 1984 ('the Ordinance') which has now been replaced by Companies Act, 2017 ('the Act'). In the year 2009, the status of the Company was changed to public unlisted company. The Company is a TREC holder of, Pakistan Stock Exchange Limited. The registered office of the Company is situated at 5th floor, Ext. Block, Bahria Complex IV, Ch. Khaliq-ur-Zaman Road, Clifton, Karachi. The principal activities of the Company are investments, share brokerage, inter-bank brokerage, Initial Public Offer (IPO) underwriting, advisory and consultancy services.

1.2 The address of Company's other offices are as follows:

- Office # 139 and 140, 3rd Floor, Stock Exchange Building, Stock Exchange Road, Karachi.
- Office # 103, 1st Floor, Balad Trade Centre, Block-3, BMCHS, Bahadurabad, Karachi.
- 2nd Floor, Bahria Complex IV, Ch. Khaliq-uz-zaman Road, Gizri, Karachi

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 as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of, and directives issued under, the Companies Act, 2017 differ from the IFRS, the former have been followed.

2.2 Basis of measurement of items in the financial statements.

Items in these financial statements have been measured at their historical cost, except for:

- Long term investments in Coastal Company Limited which are carried at cost; and
- Short term investments in quoted equity securities which are carried at fair value.

2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with accounting and reporting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. 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:

	<u>Note</u>
- Useful lives, depreciation methods and residual values of property and equipment;	3.1
- Useful lives, amortisation methods and residual values of intangible assets;	3.2
- Provision for taxation.	3.9

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.

COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications.

The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

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Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b. any reduction in lease payments affects only payments originally due on or before June 30, 2020 ; and
- c. there is no substantive change to the other terms and conditions of the lease.

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

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



3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property and equipment

Owned

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 account during the year in which they are incurred.

Depreciation is charged to statement of profit or loss account applying the straight line 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.25,000 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 assets

3.2.1 *Computer software*

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is computed using the reducing balance method over assets estimated useful life at the rates stated in note 5.2, after taking into accounts residual value, if any. The residual values, useful life and amortization methods are reviewed and adjusted, if appropriate, at each reporting date.

Amortization is charged from the date the assets are put to use while no amortization is charged after the date when the assets are disposed off.

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

3.2.2 *Membership cards and privileges*

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

3.3 Financial instruments

3.3.1 *Initial recognition, classification and measurement*

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

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



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

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

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets at FVOCI

A financial asset is classified as at fair value through other comprehensive income when it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(c) Financial assets at FVTPL

A financial asset shall be measured at fair value through profit or loss unless it is measured at 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.

3.3.2 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 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.

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3.3.3 *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.

3.3.4 *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.

3.4 **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 or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

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

3.5 **Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle liability simultaneously.

3.6 **Trade debts and receivables against margin financing**

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.

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3.7 Cash and cash equivalents

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

3.8 Staff retirement benefits - Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. As a consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets will be insufficient to meet expected benefits) fall, in substance, on the employee.

The Company operates a defined contribution plan i.e. recognized provident fund ("the Fund") for all of its eligible employees in accordance with trust deed and rules made thereunder. Monthly contributions at the rate 10.00% of basic salary are made to the Fund by the Company and the employees.

When an employee has rendered service to the Company during a period, the Company recognises the contribution payable to a defined contribution plan in exchange for that service as an expense in profit or loss and as a liability in the statement of financial position (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Company recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, they are discounted using the discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds (or when there is no deep market in such bonds, the government bonds) having term consistent with the estimated term of the post-employment benefit obligations.

3.9 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 there is convincing other evidence that the sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the entity. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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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.

3.10 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.

3.11 Operating revenue

Revenue from trading activities - brokerage commission

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

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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.

Revenue from advisory and consultancy services

Revenue is recognized when the performance obligation is satisfied i.e. when services are provided.

Dividend income

Dividends received from investments measured at fair value through profit or loss and at fair value through other comprehensive income 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.

Mark up / interest income

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

3.12 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to all borrowings of the Company that are outstanding during the period. However, the Company excludes from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete. The amount of borrowing costs that the Company capitalises during a period does not exceed the amount of borrowing costs it incurs during that period.

The Company begins capitalising borrowing costs as part of the cost of a qualifying asset on the 'commencement date' which is the date when the Company first meets all of the following conditions: (a) it incurs expenditures for the asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

The Company suspends capitalisation of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

The Company ceases capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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PROPERTY AND EQUIPMENT

	Leasehold land	Furniture & fixture	Office equipments	Vehicles		Computer	Office premises	Leasehold Improvement	Total
				Owned	Musharika				
	Rupees								
As at June 30, 2019									
Cost	-	4,653,408	6,680,421	3,424,030	26,450,512	14,612,734	12,674,940	14,240,803	82,736,848
Accumulated depreciation	-	(1,587,445)	(3,159,852)	(2,487,709)	(9,764,200)	(11,072,229)	(5,876,763)	(11,044,910)	(44,993,108)
Net book value	-	3,065,963	3,520,569	936,321	16,686,312	3,540,505	6,798,177	3,195,893	37,743,740
Movement during the year ended June 30, 2020									
Opening net book value	-	3,065,963	3,520,569	936,321	16,686,312	3,540,505	6,798,177	3,195,893	37,743,740
Additions during the year	6,903,077	-	208,574	68,000	-	805,313	-	-	7,984,964
Disposals/transfers/write-off	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	(10,930,987)	(76,683)	-	-	(11,007,670)
Accumulated depreciation	-	-	-	-	5,487,759	34,479	-	-	5,522,238
	-	-	-	-	(5,443,228)	(42,204)	-	-	(5,485,432)
Depreciation for the year	-	(306,596)	(361,332)	(197,464)	(2,761,014)	(1,176,617)	(679,818)	(1,065,190)	(6,548,031)
Closing net book value	6,903,077	2,759,367	3,367,811	806,857	8,482,070	3,126,997	6,118,359	2,130,703	33,695,241
As at June 30, 2020									
Cost	6,903,077	4,653,408	6,888,995	3,492,030	15,519,525	15,341,364	12,674,940	14,240,803	79,714,142
Accumulated depreciation	-	(1,894,041)	(3,521,184)	(2,685,173)	(7,037,455)	(12,214,367)	(6,556,581)	(12,110,100)	(46,018,901)
Net book value	6,903,077	2,759,367	3,367,811	806,857	8,482,070	3,126,997	6,118,359	2,130,703	33,695,241
Movement during the year ended June 30, 2021									
Opening net book value	6,903,077	2,759,367	3,367,811	806,857	8,482,070	3,126,997	6,118,359	2,130,703	33,695,241
Additions during the period	-	237,403	1,508,254	119,000	-	5,642,139	-	2,665,000	10,171,796
Disposals/transfers/write-off	-	-	-	-	-	-	-	-	-
Cost	-	(4,370,208)	(5,148,847)	-	(7,354,047)	(12,556,872)	-	(180,803)	(29,610,777)
Accumulated depreciation	-	1,802,843	3,048,982	-	4,149,174	10,802,063	-	147,815	19,950,877
	-	(2,567,365)	(2,099,865)	-	(3,204,873)	(1,754,809)	-	(32,988)	(9,659,900)
Transfer at net book value	-	-	-	3,681,632	(3,681,632)	-	-	-	-
Depreciation for the period	-	(32,727)	(253,832)	(176,146)	(1,595,565)	(1,422,323)	(611,836)	(1,362,719)	(5,455,148)
Closing net book value	6,903,077	396,678	2,522,368	4,431,343	-	5,592,004	5,506,523	3,399,996	28,751,989
As at June 30, 2021									
Cost	6,903,077	520,603	3,248,402	7,292,662	4,483,846	8,426,631	12,674,940	16,725,000	60,275,161
Accumulated depreciation	-	(123,925)	(726,034)	(2,861,319)	(4,483,846)	(2,834,627)	(7,168,417)	(13,325,004)	(31,523,172)
Net book value	6,903,077	396,678	2,522,368	4,431,343	-	5,592,004	5,506,523	3,399,996	28,751,989
Rate of depreciation (per annum)	-	10%	10%	20%	20%	30%	10%	33%	

5 INTANGIBLE ASSETS

Note

2021

2020

Rupees

Membership card right and privileges

Trading Rights Entitlement (TRE) Certificate

5.1

2,500,000

2,500,000

Computer software

5.2

801,590

1,346,695

3,301,590

3,846,695

5.1 Trading Right Entitlement Certificate (TREC)

Trading Right Entitlement Certificate

Cost

5.1.1

3,894,750

3,894,750

Accumulated impairment

(1,394,750)

(1,394,750)

2,500,000

2,500,000

- 5.1.1 Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act 2012, 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 accumulated impairment.

5.2	Computer software	— Rupees —
	As at June 30, 2019	
	Cost	4,604,510
	Accumulated amortisation	<u>(2,921,141)</u>
	Net book value	<u>1,683,369</u>
	<i>Movement during the year ended June 30, 2020</i>	
	Opening net book value	1,683,369
	Additions during the year	-
	Write-offs	-
	Amortisation charge	<u>(336,674)</u>
	Closing net book value	<u>1,346,695</u>
	As at June 30, 2020	
	Cost	4,604,510
	Accumulated amortisation	<u>(3,257,815)</u>
	Net book value	<u>1,346,695</u>
	<i>Movement during the year ended June 30, 2021</i>	
	Opening net book value	1,346,695
	Additions during the year	350,900
	Write-offs	(695,608)
	Amortisation for the year	<u>(200,397)</u>
	Closing net book value	<u>801,590</u>
	As at June 30, 2021	
	Cost	4,259,802
	Accumulated amortisation	<u>(3,458,212)</u>
	Net book value	<u>801,590</u>
	Rate of amortisation (per annum)	<u>20%</u>

		2021	2020
	Note	— Rupees —	
6	LONG TERM INVESTMENT - At cost		
	<i>Unquoted</i>		
	Coastal Company Limited	6.1 <u>30,127,296</u>	<u>30,127,296</u>

- 6.1 This represents shares of Coastal Company Limited which were acquired when the collateral relating to short term loan amounting to Rs. 36 million was realized in the form of shares of this NBFC. Shares are in the name of Director and not in Company's name in accordance to NBFC Rules 2003. An agreement was made between director and the Company under which the proceeds from sale of investment including gain/(loss) would be rendered back to Company. Shares are blocked but arrangement would be made for conversion into marketable lot and disposal in accordance to NBFC Rules 2003 as soon as economic condition of the above NBFC improves.

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7	LONG TERM DEPOSITS	Note	2021 Rupees	2020
	Pakistan Stock Exchange Limited	7.1	12,500,000	-
	National Clearing Company of Pakistan Limited	7.2	1,500,000	1,500,000
	Central Depository Company of Pakistan Limited		100,000	100,000
	Security deposits in respect of leased office premises		1,585,095	684,105
			<u>15,685,095</u>	<u>2,284,105</u>

7.1 This represents amount deposited in Pakistan Stock Exchange Limited (PSX) in respect of Base Minimum Capital (BMC) requirements.

7.2 This represents deposits held at the year end against exposure arising out of trading in securities in accordance with the regulations of National Clearing Company Pakistan Limited.

8	SHORT TERM INVESTMENT - At Fair Value through profit or loss	2021 Rupees	2020
	Quoted equity securities	49,878,288	47,026,240
	Units of mutual funds	-	49,998,382
		<u>49,878,288</u>	<u>97,024,622</u>

8.1.1 The number and fair value of securities pledged with PSX and NCCPL are as follows:

	June 30, 2021		June 30, 2020	
	Number of securities	Fair Value (Rupees)	Number of securities	Fair Value (Rupees)
Clients	17,593,483	227,465,656	3,871,000	50,360,247
Brokerage House	2,589,389	36,433,321	424,119	9,869,583
	<u>20,182,872</u>	<u>263,898,977</u>	<u>4,295,119</u>	<u>60,229,830</u>

8.1.2 The number and fair value of securities pledged with financial institutions are as follows:

	June 30, 2021		June 30, 2020	
	Number of securities	Fair Value (Rupees)	Number of securities	Fair Value (Rupees)
Clients	-	-	10,823,001	239,002,042
Brokerage House	1,500	111,380	837,300	32,755,488
	<u>1,500</u>	<u>111,380</u>	<u>11,660,301</u>	<u>271,757,530</u>

9	TRADE DEBTS	Note	2021 Rupees	2020
	Trade debts - gross	9.1 & 34	382,862,121	376,821,479
	Less: Provision for expected credit losses	9.2	<u>(8,327,983)</u>	<u>(3,243,001)</u>
			<u>374,534,138</u>	<u>373,578,478</u>

9.1 Trade debts includes Rs. 87.452 million (2020: Rs. 147.99 million) due from related parties. The Company holds capital securities having fair value of Rs. 1,671.96 million (2020: Rs. 140.36 million) owned by its clients including related parties, as collaterals against trade debts.

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		2021	2020
		Rupees	
9.2	Movement in provision for expected credit losses		
	Balance at the beginning of the year	3,243,001	2,666,788
	Charged during the year	5,084,982	576,213
	Balance at the end of the year	8,327,983	3,243,001

10 **RECEIVABLE AGAINST MARGIN FINANCING**

Marginal financing facility is provided to clients on markup basis ranging from 2.00% to 7.00% KIBOR (2020: 2.00% to 7% KIBOR) per annum.

		2021	2020	
		Rupees		
11	ADVANCES, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES			
	<i>Advances</i>			
	Advance to staff	11.1	6,192,260	11,181,851
	Advance against IPO		15,000,000	-
			21,192,260	11,181,851
	<i>Deposits</i>			
	Exposure deposits	11.2	495,349,287	49,971,430
	Advance lease rental against long term finance		-	1,668,942
			495,349,287	51,640,372
	<i>Prepayments</i>			
	Prepaid rent		4,480,287	3,315,667
	<i>Other receivables</i>			
	Due from related parties	11.3	45,285,999	45,099,159
	Receivable against sale of office		6,840,000	32,000,000
	Future profit receivable - net		6,580,308	-
	Receivables from employees against sale of car		1,679,219	314,582
	Dealers account		-	2,086,472
			60,385,526	79,500,213
			581,407,360	145,638,103

11.1 This represents interest free advances provided in accordance with the Company's policy and these has been secured against the provident fund balance

11.2 This represents deposits held at the year end against exposure arising out of the trading in securities in accordance with the regulations of National Clearing Company Pakistan Limited.

		2021	2020
		Rupees	
11.3	Due from related parties		
	Intertechnologies (Private) Limited	42,522,234	42,522,234
	Intermarket Xpress (Private) Limited	1,800,618	1,800,618
	Vision Commodities (Private) Limited	963,147	776,307
		45,285,999	45,099,159

12 **TAXATION - NET**

	Advance tax	98,143,476	93,865,192
	Provision for taxation	(44,008,735)	(12,622,340)
		54,134,741	81,242,852

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13 **SHORT TERM LOAN**

This represents balance amount due from an ex-client on account of interest free loan amounting to Rs. 100 million. Collaterals amounting to Rs. 49 million were realized from cash margin and transfer of shares of National Asset Management Company Limited. Balance outstanding is secured against commercial plot in Peshawar.

14	BANK BALANCES	Note	2021 Rupees	2020
	<i>Cash at bank</i>			
	- current account		222,179,508	81,604,869
	- saving account	14.1	75,791,942	46,493,138
		14.2	<u>297,971,450</u>	<u>128,098,007</u>

14.1 The return on these balances ranges from 3% to 7% (2020: 3.25% to 9.00%) per annum on daily product basis.

14.2 Bank balances include customers' bank balances held in designated bank accounts amounting to Rs. 240.51 million (2020: Rs. 122.99 million).

15 **ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

30-Jun-21 (Number of shares)	30-Jun-20		30-Jun-21 Rupees	30-Jun-20
50,340,451	50,340,451	Ordinary shares of Rs.10/- each fully paid in cash	503,404,510	503,404,510
<u>50,340,451</u>	<u>50,340,451</u>		<u>503,404,510</u>	<u>503,404,510</u>

15.1 **Pattern of shareholding**

Categories of shareholders	30-Jun-21		30-Jun-20	
	Number of shares held	% of shares held	Number of shares held	% of shares held
<i>Individuals</i>				
Mr. Azneem Bilwani	-	-	50,340,449	99.99%
Ms. Erum Bilwani	25,673,629	51.000%	-	-
Mr. Muhammad Uraib Bilwani	24,666,820	49.000%	-	-
Mr. Syed Raza Haider Jafri	1	0.00%	1	0.00%
Mr. Faisal Nasrullah	1	0.00%	1	0.00%
	<u>50,340,451</u>	<u>100.00%</u>	<u>50,340,451</u>	<u>100.00%</u>

15.1.1 During the year on March 25, 2021, Mr. Azneem Bilwani transfer his 51% shares to his wife Ms. Erum Bilwani and 49% share to his son Mr. Mohammad Uraib Bilwani.

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

16	SUBORDINATED LOAN FROM A DIRECTOR	Note	2021 Rupees	2020
	Opening balance	16.1	-	244,558,676
	Add: Unwinding of director loan during the year		-	58,346,825
	Less :Reclassification of loan to equity	16.2	-	(302,844,950)
	Less: Transferred to other liabilities		-	(60,551)
			<u>-</u>	<u>-</u>

- 16.1 This represents an unsecured loan given by a director of the Company, Mr. Azneem Bilwani. The loan had been measured to its present value using prevailing market rate of mark-up for a similar instrument, having similar terms and credit risk profile, at the time the loan was granted.
- 16.2 In April 2020, the company had issued 30,284,495 right shares at Rs. 10 per share to Mr. Azneem Bilwani. The consideration for right shares amounting to Rs. 302,849,950 was adjusted against the outstanding subordinated loan. The remaining amount of the loan of Rs. 60,551 remains payable to him and is recorded in other liabilities. The right shares had been issued in accordance with the requirement of section 70 of the Companies Act, 2017, after obtaining approval in board of directors meeting dated April 28, 2020.

	Note	2021	2020
		Rupees	
17	LONG TERM FINANCE - SECURED		
	Present value of Shirkat ul Melk cum Ijarah finance	-	5,467,266
	Less : Current portion	-	(2,879,782)
	17.1	-	2,587,484

- 17.1 This represents Ijara finance lease in respect of motor vehicles from Dubai Islamic Bank (the lessor) under which 80% of the Purchase price was borne by the lessor and the remainder borne by the Company. The lessor would remain owner of 80% undivided share in asset until all fixed and variable rentals are paid and the Company exercise its unconditional and irrevocable right of purchasing the asset after the expiry of five year's Lease periods.

Monthly rentals consist of fixed and variable rentals. Outstanding fixed rentals represent original principal, i.e. 80% of purchase cost of leased vehicles less aggregate of principal repayment and variable rental equal to 12 month KIBOR +1.75% to 2.00% calculated on outstanding fixed rent on 360 days basis.

The above finance facility is secured by personal guarantee of directors holding 10% or more shares in the company along with personal net worth statement, postdated cheques for 12 months, 20% of equity participation and 80% ownership title of leased vehicles.

	Note	2021	2020
		Rupees	
18	DEFERRED TAXATION		
	Deferred taxation (asset) / liability	-	-
	(Deductable) / taxable temporary difference arising in respect of following		
	Accelerated tax depreciation / amortisation	3,435,153	6,322,261
	Long term investment	(1,703,084)	(1,703,084)
	Short term investment	(156,467)	(289,664)
	Trade debts	(2,415,115)	(940,470)
	Long term finance (Ijara)	-	(1,585,507)
	Capital loss on sale of short term investment	(6,427,097)	(9,860,660)
		(10,701,762)	(14,379,385)
		(7,266,609)	(8,057,124)
		2021	2020
		Rupees	
18.1	Total deferred tax asset - gross	10,701,762	14,379,385
	Deferred tax asset recognised to the extent of deferred tax liability	(3,435,153)	(6,322,261)
	Unrecognised deferred tax asset in the books	(7,266,609)	(8,057,124)
		-	-

The Company, based on the future projections, has recognized deferred tax assets only to the extent of deferred tax liabilities amounting, in aggregate to Rs. 3.44 million. (2020: Rs. 6.32 million).

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	2021	2020
	Rupees	
19 SHORT TERM BORROWINGS - Secured		
Running finance:		
Bank Al-Habib Limited	-	11,339,546
JS Bank Limited	-	53,644,014
	<u>-</u>	<u>64,983,560</u>

Short term running finance facilities are available from commercial banks, under mark-up arrangements, amounting to Rs. 1,500 million (2020: Rs. 1,000 million). These arrangements are secured against pledge of marketable securities with 30% to 50% margin and personal guarantee of directors' holding 10% or above shareholding of Company. These running finance facilities carry mark-up ranging from 3 month KIBOR +2% (2020: 3 month KIBOR +2.0%) calculated on a daily product basis.

	2021	2020
	Rupees	
20 TRADE AND OTHER PAYABLES		
Creditors	235,617,841	119,375,992
<i>Other payables</i>		
Withholding income tax payables to NCCPL	311,357,684	-
Dealers accounts	32,033,277	13,616,170
Future Profit	14,088,417	1,717,722
Others	15,559,397	14,379,644
	<u>373,038,775</u>	<u>29,713,536</u>
	<u>608,656,616</u>	<u>149,089,528</u>

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

An order dated July 07, 2017, issued by the Federal Board of Revenue creating an additional demand of Rs 3.505 million by making an amendment of the deemed assessment order by making addition to income and proration of expenses into FTR and NTR regime during the period from July 01, 2015 to June 30, 2016. The Company filed an appeal before the Commissioner of Income Tax (Appeals) In the opinion of the legal counsel, no liability is expected to arise against the company in the subject suit on merit.

	2021	2020
	Rupees	
21.2 Commitments		
Following commitments are outstanding as at the reporting date:		
Financial guarantees given by commercial banks on behalf of the Company	<u>484,000,000</u>	<u>400,000,000</u>

22 OPERATING REVENUE

Brokerage income	479,398,405	217,235,700
Dividend income	2,491,113	15,638,361
Underwriting & financial advisory services	19,441,919	23,795,632
Margin financing income	38,664,808	9,529,605
	<u>539,996,245</u>	<u>266,199,298</u>

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23	ADMINISTRATIVE EXPENSES	Note	2021 Rupees	2020
	Salaries, commission, benefits and allowances	23.1	240,342,577	103,410,265
	Directors remuneration		13,208,030	10,804,857
	PSX rent, electricity and service charges		1,455,542	623,499
	CDC and NCCPL charges		14,835,562	6,025,282
	Printing and stationery		2,396,280	370,378
	Legal and professional charges		14,815,760	7,804,400
	Communication expenses		16,298,564	10,642,259
	Auditor's remuneration - audit fee		700,000	594,000
	Rent, rates and taxes		9,928,099	6,800,607
	Entertainment expense		1,173,909	748,264
	Utility expense		3,883,377	2,819,264
	Bank charges		6,098,351	5,654,275
	Repair and maintenance		562,227	252,280
	Traveling and conveyance expenses		1,116,061	1,208,488
	Postage and courier		222,458	113,490
	Receivables and deposits written off		7,297,161	45,089,824
	Provision for expected credit losses on trade debts		5,084,982	576,213
	Write-off of Intangible assets		695,608	-
	Irrecoverable amount due from dealers written off		2,018,182	-
	Depreciation expense - property and equipment	4	5,455,148	6,548,031
	Other expenses		6,472,378	-
	Amortization of intangible assets	5.2	200,397	336,674
	Vehicle maintenance expense		288,925	362,102
	Insurance expense		1,167,350	689,605
	Loss on disposal of property and equipment		515,323	1,007,345
	Donation expense	23.2	2,810,000	-
	Branch expense		3,729,523	1,688,520
	Miscellaneous expense		1,780,782	1,075,867
			<u>364,552,556</u>	<u>215,245,789</u>

23.1 Salaries and benefits include Rs. 7.69 million (2020: Rs. Nil) in respect of provident fund contribution.

23.2 Donation

None of the directors or their spouse had any interest in the donees. Further, the particulars of the parties to whom donation paid exceeds Rs. 1 million or 10% of the total donation, whichever is higher, are as follows:

	2021 Rupees	2020
Bantva memon welfare committee	1,410,000	-
AKU hospital	1,000,000	-
	<u>2,410,000</u>	<u>-</u>
24 FINANCE COSTS		
Markup on short term borrowings	11,795,893	20,554,393
Markup on long term finance	437,448	885,100
	<u>12,233,341</u>	<u>21,439,493</u>
25 OTHER INCOME		
Interest income on bank deposits	1,516,783	3,949,144
Interest income on deposits with NCCPL	7,504,716	1,845,699
Others	183,766	162,598
	<u>9,205,265</u>	<u>5,957,441</u>

		2021	2020
		Rupees	
26	TAXATION		
	Current year	46,404,890	13,099,585
	Prior years	(2,396,155)	(477,245)
	Deferred	-	(18,825,668)
		<u>44,008,735</u>	<u>(6,203,328)</u>

26.1 Relationship between tax expense and accounting profit

Profit before taxation	<u>234,676,467</u>	<u>13,604,985</u>
Tax at the applicable rate of 29% (2020: 29%)	68,056,175	3,945,446
Tax effect of income under Presumptive Tax Regime	(348,756)	(2,189,371)
Tax effect of income under Minimum Tax Regime	(273,122)	(3,062,222)
Tax effect of income taxed at lower rate	(16,706,540)	(1,084,036)
Tax effect of non-deductible expenses	4,079,097	2,712,475
Tax effect of exempt income / permanent differences	(1,349,107)	(5,257,241)
Tax effect of prior year charge	(2,396,155)	(477,245)
Others	<u>(7,052,857)</u>	<u>(791,134)</u>
	<u>44,008,735</u>	<u>(6,203,328)</u>

- 26.2** 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.

27 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting year as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

	Note	2021	2020
		Rupees	
Cash and bank balances	14	297,971,450	128,098,007
Short term borrowings - running finance	19	-	(64,983,560)
		<u>297,971,450</u>	<u>63,114,447</u>

28 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of associated companies, key management personnel and directors and their close family members, major shareholders of the Company and staff provident fund. 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 while contribution to the provident fund is in accordance with staff service rules. Remuneration of the chief executive, directors and executives is disclosed in note 29 to the financial statements. Transactions with related parties during the year other than those disclosed elsewhere in the financial statements are as follows:

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	Note	2021	2020
Name of the related party, relationship with company and Nature of Transaction		Rupees	
<u>ASSOCIATED COMPANIES (common directorship)</u>			
Intertechnologies (Private) Limited			
Balance due		42,522,234	42,522,234
Intermarket Xpress (Private) Limited			
Balance due		1,800,618	1,800,618
Advance made during the year		-	5,000
Vision Commodities (Pvt.) Limited			
Balance due		963,147	776,307
Advance made during the year		186,840	172,806
Erüm Bilwani (Director)			
Brokerage Commission earned		11,786,308	-
Azneem Bilwani (Spouse of Director)			
Brokerage Commission earned		48,943,499	-
Right shares issued		-	302,844,950
Receivable against sale of office		6,840,000	32,000,000

29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

Particulars	Chief Executive		Directors		Executives		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	Rupees							
Basic salary	3,600,000	4,990,728	4,115,580	3,715,248	18,787,500	22,547,724	26,503,080	31,253,700
House & Utility allowance	2,100,000	618,661	2,620,898	612,123	15,047,010	3,257,243	19,767,908	4,488,027
Medical allowance	360,000	499,073	411,552	369,024	1,878,750	2,254,772	2,650,302	3,122,869
	6,060,000	6,108,462	7,148,030	4,696,395	35,713,260	28,059,739	48,921,290	38,864,596
Number of persons	1	1	1	1	12	12	14	14

29.1 The Company has also provided its Chief Executive, Directors and certain executives with Company maintained car.

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30 FINANCIAL INSTRUMENTS

30.1 Financial risk analysis

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest/mark-up rate risk and price risk). 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 Company consistently manages its exposure to financial risk without any material change from previous periods in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

30.1.1 Market risk

Market risk means that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, equity prices and interest rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk comprises of three types of risks: foreign currency risk, price risk and interest rate risk. The market risks associated with the Company's business activities are discussed as under:

i) Foreign currency risk

Foreign 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 currency risk since there are no foreign currency transactions and balances at the reporting date.

ii) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up 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 instruments traded in the market. Presently, daily stock market fluctuation is controlled by regulatory authorities with cap and floor of Re. 1 for securities with value per share upto Rs. 20 and 7.5% for securities with value more than Rs. 20 per share. The restriction of floor prices reduces the volatility of prices of equity securities and the chances of market crash at any moment. The Company manages price risk by monitoring the exposure in quoted securities and implementing the strict discipline in internal risk management and investment policies, which includes disposing of its own equity investment and collateral held before it led the Company to incur significant mark-to-market and credit losses. As of the reporting date, the Company was exposed to equity risk since it had investments in quoted securities amounting to Rs. 49.878 million (2020: Rs.97.024 million) and also because the Company held collaterals in the form of equity securities against their debtor balances.

The carrying value of investments 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 realized in the subsequent sale of an investment may 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, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

The Company's portfolio of short term investments is broadly diversified so as to mitigate the significant risk of decline in prices of securities in particular sectors of the market.

The table below summarizes Company's equity price risk as of June 30, 2021 and 2020 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of 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 profit / (loss) before tax
June 30, 2021	Rupees	49,878,288	10% increase 10% decrease	54,866,117 44,890,459	4,987,829 (4,489,046)
June 30, 2020	Rupees	97,024,622	10% increase 10% decrease	106,727,084 87,322,160	9,702,462 (8,732,216)

iii) Interest rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes.

Financial assets and liabilities include balances of Rs. 75.791 million (2020: Rs. 46.493 million) and Rs. Nil (2020: Rs. 70.541 million) respectively, which are subject to interest / markup rate risk. Applicable interest / mark-up rates for financial assets and liabilities have been indicated in note 14 and 19 to these financial statements.

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

	2021 Effective interest rate (%)	2020 Effective interest rate (%)	2021 Carrying amounts (Rs.)	2020 Carrying amounts (Rs.)
Financial assets				
Bank deposits - <i>pls account</i>	3% to 7%	3.25% to 9%	75,791,942	46,493,138
Financial liabilities				
Term Finance	-	9.1% to 15.65%	-	5,467,266
Short term borrowings- secured	-	7.36% to 15.35%	-	64,983,560

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

30.1.2 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, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties 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 economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk

Credit risk of the Company mainly arises from deposits with banks and financial institutions, trade debts, receivable against margin financing, short term loans, deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery.

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The Company's management, as part of risk management policies and guidelines, reviews clients' financial position, considers past experience, obtain authorized approvals and arrange for necessary collaterals in the form of equity securities to reduce credit risks and other factors. These collaterals are subject to market risk which ultimately affects the recoverability of debts. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The carrying amount of financial assets represent the maximum credit exposure at the reporting date, which are detailed as follows:

	2021	2020
	Rupees	
Long term deposits	15,685,095	2,284,105
Trade debts	374,534,138	373,578,478
Receivables against margin financing	177,216,440	132,038,484
Short term loans	61,456,012	61,456,012
Advance to staff	6,192,260	11,181,851
Short term deposits	495,349,287	51,640,372
Other receivables	60,385,526	79,500,213
Bank balances	297,971,450	128,098,007
	<u>1,488,790,208</u>	<u>839,777,522</u>

Trade debts were due from local clients.

The aging analysis of the total receivable from clients (i.e. inclusive of trade debts - brokerage and operating) as at the reporting date is as follows:

	June 30, 2021		June 30, 2020	
	Gross carrying amount	Provision for expected credit losses	Gross carrying amount	Provision for expected credit losses
Past due 1-90 days	312,750,395	-	381,422,308	213,467
Past due 91-180 days	45,514,442	530,018	87,056,526	241,041
Past due 181-365 days	2,251,223	182,228	3,879,593	180,412
More than 365 days	22,346,061	7,615,737	30,512,517	2,608,081
	<u>382,862,121</u>	<u>8,327,983</u>	<u>502,870,944</u>	<u>3,243,001</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 other than above. None of the other financial assets are either past due or impaired.

The Company held collaterals in respect of trade debts. The Company have trade receivable for which no loss allowance is recognised because of collaterals held.

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

Rating long term	Rating Agency	2021	2020
		Rupees	
AAA	PACRA	9,636,899	-
AAA	VIS	19,523,229	-
AA+	PACRA	6,724,155	-
A+	VIS	51,344,126	-
AA	VIS	14,326,749	-
AA-	PACRA	159,970,959	-
A1+	PACRA	-	50,819,707
A-1+	VIS	-	31,259,469
A-1	VIS	-	-
A1	PACRA	-	13,235,630
		<u>36,445,333</u>	<u>32,783,201</u>

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30.1.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. 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, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments:

	Carrying value	Contractual cash flows			
		Total	Up to one year	More than one year	More than five years
- Rupees -					
June 30, 2021					
Trade and other payables	608,656,616	608,656,616	608,656,616	-	-
	<u>608,656,616</u>	<u>608,656,616</u>	<u>608,656,616</u>	<u>-</u>	<u>-</u>
June 30, 2020					
Long term finance	5,467,266	6,185,771	3,317,229	2,868,542	-
Short term borrowings - secured	64,983,560	64,983,560	64,983,560	-	-
Trade and other payables	149,089,528	149,089,528	149,089,528	-	-
Accrued markup on short term borrowings	1,684,595	1,684,595	1,684,595	-	-
	<u>221,224,949</u>	<u>221,943,454</u>	<u>219,074,912</u>	<u>2,868,542</u>	<u>-</u>

Contractual cash flows include tentative interest payments to be made up to the maturity of relevant facilities. The future interest related cash flows depend on the interest rates applicable at that time and the extent of utilization of running finance facilities.

30.1.4 Fair value of assets and liabilities

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 : Quoted market price (unadjusted) in an active market.

Level 2 : Valuation techniques based on observable inputs.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determines fair values using valuation techniques unless the instruments do not have a market \ quoted price in an active market and whose fair value cannot be reliably measured.

Valuation techniques used by the Company include discounted cash flow model. Assumptions and inputs used in the valuation technique mainly include risk-free rate, equity risk premium, long term growth rate and projected rates of increase in revenues, other income and expenses. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

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Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of judgment and estimation in the determination of fair value. Judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates, etc.

The table below analyses assets measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Level 1	Level 2	Level 3	Total
June 30, 2021	----- Amount in Rupees -----			
<i>Financial assets measured at fair value</i>				
Short term investments	49,878,288	-	-	49,878,288

	Level 1	Level 2	Level 3	Total
June 30, 2020	----- Amount in Rupees -----			
<i>Financial assets measured at fair value</i>				
Short term investments	97,024,622	-	-	97,024,622

30.2 Financial instruments by category

The table below provides reconciliation of the line items in the Company's statement of financial position to the categories of financial instruments.

	June 30, 2021		
	At fair value 'through profit or loss'	At Amortised cost	At fair value 'through OCI'
	----- Rupees -----		
Financial assets			
Long term investment	-	30,127,296	-
Long term deposits	-	15,685,095	-
Short term Investments	49,878,288	-	-
Trade debts	-	374,534,138	-
Receivables against margin financing	-	177,216,440	-
Short term deposits	-	495,349,287	-
Other receivables	-	60,385,526	-
Short term loan	-	61,456,012	-
Cash and bank balances	-	297,971,450	-
	49,878,288	1,512,725,244	-
Financial liabilities			
Trade and other payables	-	608,656,616	-
	-	608,656,616	-

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June 30, 2020			
	At fair value 'through profit or loss'	At Amortised cost	At fair value 'through OCI'
	Rupees		
Financial assets			
Long term investment	-	30,127,296	-
Long term deposits	-	2,284,105	-
Short term Investments	97,024,622	-	-
Trade debts	-	373,578,478	-
Receivables against margin financing	-	132,038,484	-
Short term deposits	-	49,971,430	-
Other receivables	-	79,500,213	-
Short term loan	-	61,456,012	-
Bank balances	-	128,098,007	-
	97,024,622	857,054,025	-
Financial liabilities			
Long term finance	-	5,467,266	-
Short term borrowings - secured	-	64,983,560	-
Trade and other payables	-	149,089,528	-
Accrued markup on short term borrowings	-	1,684,595	-
	-	221,224,949	-

31 CAPITAL MANAGEMENT

31.1 Management of Capital

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.

31.2 Capital Adequacy Level

The Capital adequacy level as defined by Central Depository Company of Pakistan Limited (CDC) is calculated as follows;

	Note	2021	2020
		Rupees	
Total assets	31.2.1	1,674,464,399	1,089,029,895
Less: Total liabilities		(615,991,721)	(221,224,949)
Less: revaluation reserves (created upon revaluation of fixed assets)		-	-
Capital Adequacy Level		1,058,472,678	867,804,946

- 31.2.1 While determining the value of the total assets notional value of the TRE certificate as at year end as determined by Pakistan Stock Exchange has been considered.

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31.3 Net Capital Balance [as per the requirements of the securities brokers (Licensing and Operations) Regulations, 2016]

S.No	A - Description of Current Assets	Valuation basis	Amount
1	Cash in hand or in bank	As per book value	793,320,737
2	Trade Receivables	Book Value less those overdue for more than fourteen days	355,200,271
3	Investment in listed securities in the name of broker	Securities on the exposure list marked to market less 15% discount	29,624,470
4	Securities purchased for customers	Securities purchased for the customer and held by the broker where the payment has not been received within fourteen days	125,526,131
5	Listed TFCs/ Corporate Bonds of not less than BBB grade assigned by a credit rating company in Pakistan	Marked to Market less 10% discount	-
6	FIBs	Marked to Market less 5% discount	-
7	Treasury Bill	At market value	-
8	Any other current asset specified by the Commission	As per the valuation basis determined by the Commission	-
	Total		1,303,671,609
	B - Description of Current liabilities	Valuation basis	
1	Trade payables	Book Value less those overdue for more than 30 days	202,001,892
2	Other liabilities	As classified under the generally accepted accounting principles	406,654,724
	Total		608,656,616
	Net (A - B)		695,014,993

31.3.1 Note to the Net Capital Balance

1 Cash and bank balances	Rupees
Cash in hand	-
Exposure Margin deposited to NCCPL	495,349,287
Bank balance pertaining to clients	240,515,309
Bank balance pertaining to brokerage house	57,456,141
	793,320,737
2 Trade receivables	
<i>Receivables against Ready Market</i>	
Book value	382,862,121
Less: overdue for more than 14 days	(172,960,018)
	209,902,103
Balance against unsettled trade - Future Market	6,580,308
<i>Receivables against MF</i>	
<i>Receivables against Margin Financing</i>	
Book value	177,216,440
Less: overdue for more than 14 days	(38,498,580)
	138,717,860
	355,200,271
3 Investment in Listed Securities in the name of broker	
Securities marked to market	34,852,318
Less: 15% haircut	(5,227,848)
	29,624,470
4 Securities purchased for client	
Overdue balance for more than 14 days	172,960,018
Lower of overdue balance and securities held against such balance	125,526,131
5 Trade payables	
Book value	235,617,841
Less: overdue for more than 30 days	(33,615,949)
	202,001,892
6 Other liabilities	
Creditors overdue for more than 30 days	33,615,949
Accrued Liabilities and Other Payables	373,038,775
	406,654,724

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S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
I. Assets				
1.1	Property & Equipment	28,751,989	100.00%	-
1.2	Intangible Assets	3,301,590	100.00%	-
1.3	Investment in Govt. Securities (Difference between BV and SV on the date on the basis of PKRV published by NIFT)	-	-	-
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.	34,852,318	5,443,635	29,408,683
	ii. If unlisted, 100% of carrying value.	30,127,296	100.00%	-
1.6	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.	-	-	-
1.7	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)	15,025,970	100.00%	-
1.8	Investment in subsidiaries	-	100.00%	-
1.9	Investment in associated companies/undertaking			
	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%	-
1.10	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	14,100,000	100.00%	-
1.11	Margin deposits with exchange and clearing house.	495,349,287	-	495,349,287
1.12	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.13	Other deposits and prepayments	6,065,382	100.00%	-
1.14	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%	-
1.15	Dividends receivables.	-	-	-
1.16	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.)	-	-	-
1.17	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	6,192,260	-	6,192,260
	2) No haircut may be applied to the advance tax to the extent it is netted with provision of taxation.	124,109,972	100.00%	-
	3) In all other cases, 100% of net value			
1.18	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.	6,580,308	-	6,580,308
	ii. Receivable on entitlements against trading of securities in all markets including MtM gains.	-	-	

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
	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>i. Lower of net balance sheet value or value determined through adjustments.</i>	177,216,440	13,815,118	163,401,322
	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%	-
1.19	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>	133,235,541	-	133,235,541
	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>	153,846,104	19,131,642	134,714,462
	<i>vi. 100% haircut in the case of amount receivable from related parties.</i>	132,738,491	100.00%	-
	Cash and Bank balances			
1.20	i. Bank Balance-proprietary accounts	57,456,141	-	57,456,141
	ii. Bank balance-customer accounts	240,515,309	-	240,515,309
	iii. Cash in hand	-	-	-
1.21	Subscription money against investment in IPO / offer for sale (asset). (No haircut may be applied in respect of amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker).	15,000,000	-	15,000,000
1.22	Total Assets	1,674,464,399		1,281,853,313
2. Liabilities				
	Trade Payables			
2.1	i. Payable to exchanges and clearing house	-	-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	235,617,841	-	235,617,841
	Current Liabilities			
	i. Statutory and regulatory dues	311,357,684	-	311,357,684
	ii. Accruals and other payables	61,681,091	-	61,681,091
	iii. Short-term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
2.2	v. Current portion of long term liabilities	-	-	-
	vi. Deferred Liabilities	7,335,105	-	7,335,105
	vii. Provision for bad debts	-	-	-
	viii. Provision for taxation	-	-	-
	ix. Other liabilities as per accounting principles and included in the financial statements	-	-	-
	Non-Current Liabilities			
	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	-	-	-
	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	-	-	-

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S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
2. Liabilities				
2.4	Subordinated Loans	-	-	-
	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	Total Liabilities	615,991,721		615,991,721
3. Ranking Liabilities Relating to :				
Concentration in Margin Financing				
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.	-	67,063,731	67,063,731
Concentration in securities lending and borrowing				
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	-	-	-
Net underwriting Commitments				
3.3	<u>(a) in the case of right issue :</u> 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 <u>(b) in any other case :</u> 12.5% of the net underwriting commitments	-	11,250,000	11,250,000
3.4	Negative equity of subsidiary The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
3.5	Foreign exchange agreements and foreign currency positions 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	-	-	-
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 securities. In the case of financee/seller 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	-	-	-
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	-	-	-

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S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
3. Ranking Liabilities Relating to:				
Opening Positions in futures and options				
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	-	-	-
Short sell positions				
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	Total Ranking Liabilities	-	78,313,731	78,313,731
		<u>1,058,472,678</u>	Liquid Capital	<u>587,547,861</u>

CORRECTION OF PRIOR PERIOD ERRORS***Worker welfare fund***

The Finance Act, 2008, had enhanced the scope of definition of industrial undertaking of the Worker Welfare Fund Ordinance, 1971, by including the commercial establishment to which the West Pakistan Shops and Establishment Ordinance, 1969, applied. According to the West Pakistan Shops and Establishment Ordinance, 1969, commercial establishment included an establishment wherein there is conducted the business of advertising, commission, forwarding or a commercial agency. On November 10, 2016, the Honorable Supreme Court of Pakistan revoked the amendments made in Finance Act 2006 and 2008 that broadened the scope of obligation on industrial establishment to contribute towards Workers' Welfare Fund.

However, the Company had inadvertently not reversed the provision for worker welfare fund consequent to the decision of the Honorable Supreme Court of Pakistan. During the year ended June 30, 2021, the above error was identified and rectified retrospectively in accordance with the requirements of the International Accounting Standard (IAS) 8 Accounting Policies, Changes in Accounting Estimates and Errors and the all corresponding figures affected by the errors were restated. Since these restatements have a material effect on the statement of financial position as of the beginning of the earliest period presented (i.e. July 01, 2019), the same has also been presented in these financial statements in accordance with the requirements of IAS 1 Presentation of Financial Statements.

The retrospective correction of the above error has its effects on the corresponding figures presented in these financial statements as follows:

	As of June 30, 2019
Decrease in worker welfare fund (trade and other payables)	<u>8,866,095</u>
Increase in unappropriated profit	<u>8,866,095</u>

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CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of the Companies Act, 2017 and for the purpose of comparison and better presentation. Following reclassifications have been made.

Reclassified from component	Reclassified to component	Amount (Rupees)
Trade debts	Receivables against margin financing	132,038,484
<i>Advances, deposits, prepayment and other receivables</i>	<i>Trade debts</i>	
Receivable against financial advisory services	Trade debts	5,989,019
<i>Finance costs</i>	<i>Administrative expenses</i>	
Markup on short term borrowings	Bank charges	5,654,275
<i>For 2019</i>		
Trade debts	Receivables against margin financing	26,063,056

34 GENERAL

34.1 Date of authorization of issue

These financial statements have been authorised for issue on 16 SEP 2021 by board of directors of the Company.

34.2 Number of employees

The total number of employees and average number of employees at year end and during the year respectively are as follows:

	2021	2020
	Number	Number
Total number of employees as at June 30,	65	55
Average number of employees during the year	60	64


34.3 Level of rounding

The corresponding figures have been rearranged and reclassified, wherever considered necessary for the purposes of comparison and better presentation.

Figures have been rounded off to the nearest rupee.

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Chief Executive Officer


Director