



**ASDA SECURITIES (PRIVATE) LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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## **Independent Auditors' Report**

To the members of **ASDA Securities (Private) Limited**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the annexed financial statements of **ASDA Securities (Private) Limited**, ("the Company") which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss and other 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, 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 and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit, comprehensive income, the changes in equity and its cash flows for the year then ended.

#### **Basis for Opinion**

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

#### **Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in for Director's Report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **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 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 is responsible for overseeing the Company's financial reporting process.

### **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 skepticism 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.

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- 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.

#### **Report on Other Legal and Regulatory Requirements**

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mohammad Hanif Razzak.

  
Chartered Accountants

Karachi:

Dated: **30 SEP 2020**

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**ASDA Securities (Private) Limited**

**Statement of Financial Position**

As at June 30, 2020

|  | Note | 2020<br>---Rupees--- | 2019<br>---Rupees--- |
|--|------|----------------------|----------------------|
| <b>ASSETS</b>  |      |                      |                      |
| <b>Non-Current assets</b>                                      |      |                      |                      |
| Property, Plant and Equipment                                  | 6    | 5,104,796            | 8,488,572            |
| Intangible Assets  | 7    | 366,529              | 566,669              |
| Long Term Investments  | 8    | 3,967,303            | 5,209,594            |
| Long Term Loan to Staff  |      | 524,000              | 2,206,000            |
| Long Term Deposits   | 9    | 9,600,000            | 3,605,109            |
|  |      | 19,562,628           | 20,075,944           |
| <b>Current Assets</b>  |      |                      |                      |
| Trade Debts  | 10   | 35,063,638           | 39,409,949           |
| Loans and Advances   | 11   | -                    | 117,500              |
| Trade Deposits and Prepayments                                 | 12   | 6,908,903            | 28,221,514           |
| Short term investments   | 13   | 183,261,971          | 153,353,925          |
| Bank Balances  | 14   | 5,001,429            | 15,426,644           |
|  |      | 230,235,941          | 236,529,532          |
| <b>TOTAL ASSETS</b>  |      | <b>249,798,569</b>   | <b>256,605,477</b>   |
| <b>EQUITY AND LIABILITIES</b>                                  |      |                      |                      |
| <b>Share Capital and Reserves</b>                              |      |                      |                      |
| <b>Authorized Capital</b>                                      |      |                      |                      |
| 15,000,000 (2019: 15,000,000) ordinary shares of Rs. 10/- each |      | 150,000,000          | 150,000,000          |
| Issued, Subscribed and Paid-up capital                         | 15   | 140,000,000          | 140,000,000          |
| Unappropriated profit  |      | (73,873,675)         | (85,750,352)         |
|  |      | 66,126,325           | 54,249,648           |
| Loan from director and sponsor - Equity contribution           | 16   | 39,300,000           | 19,500,000           |
|  |      | 105,426,325          | 73,749,648           |
| <b>CURRENT LIABILITIES</b>                                     |      |                      |                      |
| Trade and other payables                                       | 17   | 24,096,549           | 48,574,470           |
| Accrued markup   | 18   | 3,259,665            | 4,664,315            |
| Short term borrowings -secured                                 | 19   | 113,851,360          | 129,617,044          |
| Provision for taxation - less payments                         |      | 3,164,671            | -                    |
|  |      | 144,372,244          | 182,855,829          |
| <b>Contingencies and commitments</b>                           | 20   | -                    | -                    |
|  |      | 249,798,569          | 256,605,477          |

The annexed notes 1 to 37 form an integral part of these financial statements.

  
Chief Executive

  
Director

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**ASDA Securities (Private) Limited**  
**Statement of Profit or Loss**  
**and Other Comprehensive income**  
**For The Year Ended June 30, 2020**

|  | Note | 2020              | 2019                 |
|--|------|-------------------|----------------------|
| -----Rupees-----   |      |                   |                      |
| Operating Revenues   | 21   | 19,363,571        | 28,242,409           |
| Unrealized (loss) on remeasurement of listed shares  |      | (6,238,530)       | (13,820,943)         |
| Realized Profit / (Loss) on sale of Listed Share   |      | 55,364,606        | (70,288,553)         |
|  |      | 68,489,647        | (55,867,087)         |
| Administrative Expenses  | 22   | 26,419,205        | 26,226,428           |
| Other operating Expenses   | 23   | -                 | 33,188               |
| Finance Cost   | 24   | 23,937,105        | 16,905,601           |
|  |      | 50,356,310        | 43,165,217           |
| Other Income - Gain on disposal of property, plant & equipment   |      | 1,773,322         | -                    |
| Profit / (loss) before taxation  |      | 19,906,659        | (99,032,304)         |
| Provision for taxation   | 25   | (4,698,302)       | (5,377,521)          |
| <b>Profit / (Loss) after taxation</b>  |      | <b>15,208,357</b> | <b>(104,409,825)</b> |
| <b>Other Comprehensive Income</b>  |      |                   |                      |
| Loss derecognition on investment classified as Investment at fair value through other comprehensive income |      | (89,412)          | (2,453,404)          |
| Fair value (loss) on investment classified as Investment at fair value through other comprehensive income  |      | (3,242,268)       | (7,826,341)          |
| <b>Total Comprehensive Income / (loss)</b>   |      | <b>11,876,677</b> | <b>(114,689,570)</b> |
| <b>Earning / (Loss) Per Share - Basic and diluted</b>  |      | <b>1.09</b>       | <b>(7.46)</b>        |

The annexed notes 1 to 37 form an integral part of these financial statements.

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**Chief Executive**

  
**Director**

**ASDA Securities (Private) Limited**  
**Statement of Changes in Equity**  
**For The Year Ended June 30, 2020**

|   | Issued,<br>Subscribed and<br>Paid up Capital | Un-appropriated<br>Profit / Fair value of<br>investment at fair<br>value through<br>comprehensive<br>income | Loan from<br>director &<br>sponsor - Equity<br>Contribution | Total              |
|---|--|---|---|--------------------|
|   | -----Rupees-----                             |   |   |                    |
| Balance as at July 01, 2018             | 140,000,000                                  | 28,939,218  | -   | 168,939,218        |
| Loan received during the year           | -  |   | 19,500,000  | 19,500,000         |
| Loss for the year                       | -  | (104,409,825)   | -   | (104,409,825)      |
| Other Comprehensive loss                | -  | (10,279,745)  | -   | (10,279,745)       |
| Total Comprehensive income for the year | -  | (114,689,570)   | -   | (114,689,570)      |
| <b>Balance as at June 30, 2019</b>      | <b>140,000,000</b>                           | <b>(85,750,352)</b>   | <b>19,500,000</b>   | <b>73,749,648</b>  |
| Loan received during the year           | -  | -   | 19,800,000  | 19,800,000         |
| Profit for the year                     | -  | 15,208,357  | -   | 15,208,357         |
| Other Comprehensive loss                | -  | (3,331,680)   | -   | (3,331,680)        |
| Total Comprehensive income for the year | -  | 11,876,677  | -   | 11,876,677         |
| <b>Balance as at June 30, 2020</b>      | <b>140,000,000</b>                           | <b>(73,873,675)</b>   | <b>39,300,000</b>   | <b>105,426,325</b> |

The annexed notes 1 to 37 form an integral part of these financial statements.



Chief Executive



Director

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**ASDA Securities (Private) Limited**  
**Statement of Cash Flows**  
**For The Year Ended June 30, 2020**

|   | Note | 2020                        | 2019                        |
|---|------|-----------------------------|-----------------------------|
|   |      | -----Rupees-----            |                             |
| <b>Cash flows From Operating activities</b>                   |      |                             |                             |
| Cash flow from operations                                     | 26   | 50,207,571                  | (111,973,373)               |
| Finance cost paid   |      | (25,341,755)                | (14,924,887)                |
| Long term deposits  |      | (5,994,891)                 | (2,100,000)                 |
| Long term loan to employees                                   |      | 1,682,000                   | (1,461,500)                 |
| Income tax Paid   |      | (1,533,631)                 | (5,377,521)                 |
| <b>Net Cash (used in)/generated from operating activities</b> |      | <u>19,019,294</u>           | <u>(135,837,281)</u>        |
| <b>Cash flows From Investing Activities</b>                   |      |                             |                             |
| Additions to property , plant and equipment                   |      | (53,000)                    | -                           |
| Sales proceed of disposal in property, plant and equipment    |      | 4,810,000                   | 1,500,000                   |
| Short term Investments - net                                  |      | (38,235,825)                | 123,970,818                 |
| <b>Net Cash (used in)/generated from investing activities</b> |      | <u>(33,478,825)</u>         | <u>125,470,818</u>          |
| <b>Cash flows From Financing Activities</b>                   |      |                             |                             |
| Loan from director & sponsor - Equity contribution            |      | 19,800,000                  | 19,500,000                  |
| <b>Net (decrease)/increase in cash and cash equivalents</b>   |      | <u>5,340,469</u>            | <u>9,133,537</u>            |
| Cash and cash equivalent at beginning                         |      | (114,190,400)               | (123,323,937)               |
| Cash and cash equivalent at end                               | 27   | <u><u>(108,849,931)</u></u> | <u><u>(114,190,400)</u></u> |

The annexed notes 1 to 37 form an integral part of these financial statements.



Chief Executive



Director



## ASDA Securities (Private) Limited

### Notes to the Financial Statements For The Year Ended June 30, 2020

#### 1 The Company and its operation

The company was incorporated under the Companies Ordinance, 1984 on 24th June, 2006 as a Private Limited Company. The company is principally engaged in the business of equity brokerage, equity research and corporate finance advisory. The registered office of the company is situated at office no NB-406,407,408, 4th Floor new stock exchange building, Karachi.

#### 2 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of :

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

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

#### 3 Standards, amendments to published approved accounting standards

- a) **Standards, interpretations and amendments to published approved accounting standards that became effective during the year**

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2019 except IFRS-16, which is considered not to be relevant or does not have any significant effect on the Company's financial statements and are therefore is not stated in these financial statements.

'IFRS 16 'Leases' replaced existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. Lessee recognize a right-of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The application of amendment is not likely to have an impact on Company's financial statements.

- b) **Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards application in relation to the Company's accounting period beginning on or after the dates mentioned below:

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| Amendments to standards  | Effective date (annual periods beginning on or after) |
|--|---|
| IFRS - 3 Business Combinations - Definition of Business  | January 01, 2020                                      |
| IAS - 1 Presentation on Financial Statements (Amendments)  | January 01, 2020                                      |
| IAS - 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)                                 | January 01, 2020                                      |
| IFRS - 9 Financial Instruments (Amendments)  | January 01, 2020                                      |
| IFRS - 7 Financial Instruments - Disclosures (Amendments)  | January 01, 2020                                      |
| IAS - 1 Presentation of financial statements - Presentation of financial statements on classification of liabilities | January 01, 2020                                      |
| IFRS - 16 Leases - COVID -19 related rent concession   | June 01, 2020   |

The above amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| International Financial Reporting Standards (IFRSs) | IASB effective date annual |
|---|----------------------------|
| IFRS 1 - First Time Adoption of IFRS                | January 1, 2018            |
| IFRS 17 - Insurance Contracts                       | January 1, 2023            |

#### 4 BASIS OF PREPARATION

##### 4.1 Basis of measurement

These financial statements comprise of statement of financial position, Statement of profit or loss, statement of comprehensive income, statement of changes in equity and statements of cash flows together with explanatory notes forming part thereof and have been prepared under the 'historical cost convention' except as has been specifically stated below in respective notes.

##### 4.2 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Company and rounded off to the nearest rupee.

##### 4.3 Critical Accounting estimates and judgments:

The preparation of financial statements requires management to make judgments, estimates and assumption that have an effect on the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on the historical experience and various factors that are believe to be reasonable under the circumstances. the result of which the basis of making judgment about the carrying amount of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which estimates are 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.

- (a) Recognition of taxation and deferred taxation (note 5.6);
- (b) Determining the residual values and useful lives and depreciation method of property and equipment (note 5.1);
- (c) Impairment of financial assets (note 5.10); and
- (d) Classification of Investments.

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Property and Equipment

Operating fixed assets are stated at cost less accumulated depreciation and impairment loss, if any.

Depreciation on all fixed assets is charged to statement of profit or loss applying the reducing balance method whereby the cost of an assets is written off over its estimated useful life at rates given in note no 6. Monthly's depreciation is charged on additions while no depreciation is charged on assets disposed during the month.

Maintenance and normal repairs are charged to statement of profit or loss, as and when incurred. Gain or loss on disposal of fixed assets is included is recognized as income in the year of disposal.

### 5.2 Capital work in Progress:

Capital work in progress, if any, is stated at cost.

### 5.3 Intangible assets

Intangible asset is recognized as an asset if it is probable that future economic benefit attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Amortization is charged to statement of profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. All intangible assets are systematically tested for impairment at each reporting date. A full year's amortization is charged on additions while no depreciation is charged on assets disposed off during the year.

#### a) Trading Right Entitlement Certificate

Trading Right Entitlement Certificate is stated at cost of acquisition less provision for impairment, if any. In the previous year upon demutualization of the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited) the changes effected have been recorded in respective notes.

#### b) Computer Software

Expenditure incurred to acquire computer software and having probable economic benefits exceeding the cost beyond one year, is recognised as an intangible asset. Such expenditure includes the purchase cost(License Fee) and related overhead cost.

Computer Software and License are stated at cost less accumulated amortization and any identified impairment loss.

Cost associated with maintaining computer software programs are recognized as an expense when incurred.

### 5.4 Investments

#### At fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term are classified as investments at fair value through profit or loss. These are recognized initially at cost being the fair value of the consideration given. Subsequently, these are re-measured at fair values representing prevailing market prices. Resulting gain or loss is recognized in the statement of profit or loss.

#### Investment at fair Value through Other Comprehensive Income

Other investments not covered in any of the above categories are initially recognized at fair value plus attributable transactions costs. Subsequent to initial recognition these are measured at fair value, with any resultant gain or loss being recognized in other comprehensive income. Gains or losses on fair value through other comprehensive income are recognized in other comprehensive income and are never reclassified to the statement of port or loss.

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## 5.5 Trade debts

Trade debts originated by the company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An expected credit loss is established when there is objective evidence that the Company will not be able to collect amounts due according to the original terms of the trade debts. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

## 5.6 Taxation

### Current :

Provision for current taxation in the accounts is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or minimum tax, or alternate corporate tax whichever is higher.

### Deferred :

The Company accounts for deferred taxation arising on all temporary differences by using the liability method but does not account for net deferred tax asset unless the realization whereof is certain in foreseeable future.

## 5.7 Trade and other payables

Liabilities for trade and other amount payables are carried at cost which is the fair value of the consideration to be paid in future for good and services.

## 5.8 Provisions

A provision is recognized in the financial statements when the company has a legal or constructive obligation as a result of a past event, 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.

## 5.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents consist of cash in hand and balances with banks.

## 5.10 Financial instruments

### Initial measurement of financial asset

The Company classifies its financial assets in to the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortised cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

### Subsequent measurement

Debt Investments at FVOCI: These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

Equity Investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the statement of profit or loss.

Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in profit or loss.

Financial assets measured at amortized cost: These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss.

### Non-derivative financial assets

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, other receivables and cash and cash equivalent. The Company derecognises the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

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### 5.11 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss. Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statement of profit or loss.

### 5.12 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents consist of cash in hand and balances with banks.

### 5.13 Impairment

The company assesses at each reporting date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

### 5.14 Revenue recognition

Brokerage, commission, consultancy fees and other income are recognized as and when services are provided.

Dividend income is recognized when the right to receive is established.

Gains/(Loss) arising on sale of investments through profit or loss are included in the statement of profit or loss in the period in which they arise and

Income from cash exposure margin, web access fees, IPOs/SPOs and profit on debt is recorded on accrual basis.

### 5.15 Additional Disclosures

The World Health Organization has declared COVID-19 (the virus) a global pandemic, impacting countries globally including Pakistan. Government of Pakistan has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown, disruptions to various business. However, currently, the potential impact from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. The extent of these impacts on capital markets are unclear. The Company is actively doing business and capital markets have not faced lockdown or closure during that period. The Company will continue to actively monitor the situation and may take further actions that alter its business operations as may be required by federal, provincial or local authorities or that are in the best interests of the Company. However, the management based on its assessment considered that there would be no significant impact that will adversely affect its businesses, results of operations and financial condition in future period and there is no financial impact of carrying amount of assets and liabilities or items of income and expenses. Furthermore, the Company activities are significantly dependent upon capital markets which were fully operational even during lock downs.

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6 Property, Plant and Equipment

| 2020                   |           |          |                        |       |
|------------------------|-----------|----------|------------------------|-------|
| Furniture and fittings | Computers | Vehicles | Office at KSE Building | Total |

-----Rupees-----

Net Carrying value basis - June 30, 2020

|                        |          |          |             |           |             |
|------------------------|----------|----------|-------------|-----------|-------------|
| Opening net book value | 209,409  | 35,226   | 3,164,678   | 5,079,259 | 8,488,572   |
| Additions (at Cost)    | -        | -        | 53,000      | -         | 53,000      |
| Disposals (NBV)        | -        | -        | (3,036,678) | -         | (3,036,678) |
| Depreciation charge    | (20,941) | (10,568) | (114,626)   | (253,963) | (400,098)   |
| Closing net book value | 188,468  | 24,658   | 66,374      | 4,825,296 | 5,104,796   |

Gross Carrying value basis - June 30, 2020

|                          |           |           |          |           |             |
|--------------------------|-----------|-----------|----------|-----------|-------------|
| Cost                     | 437,824   | 427,740   | 99,000   | 5,700,000 | 6,664,564   |
| Accumulated depreciation | (249,356) | (403,082) | (32,626) | (874,704) | (1,559,768) |
| Net book value - 2020    | 188,468   | 24,658    | 66,374   | 4,825,296 | 5,104,796   |

| 2019                   |           |          |                        |       |
|------------------------|-----------|----------|------------------------|-------|
| Furniture and fittings | Computers | Vehicles | Office at KSE Building | Total |

-----Rupees-----

Net Carrying value basis - June 30, 2019

|                        |          |          |             |           |             |
|------------------------|----------|----------|-------------|-----------|-------------|
| Opening net book value | 232,677  | 50,323   | 5,256,339   | 5,346,588 | 10,885,927  |
| Additions (at Cost)    | -        | -        | -           | -         | -           |
| Disposals (NBV)        | -        | -        | (1,533,188) | -         | (1,533,188) |
| Depreciation charge    | (23,268) | (15,097) | (558,473)   | (267,329) | (864,167)   |
| Closing net book value | 209,409  | 35,226   | 3,164,678   | 5,079,259 | 8,488,572   |

Gross Carrying value basis - June 30, 2019

|                          |           |           |             |           |             |
|--------------------------|-----------|-----------|-------------|-----------|-------------|
| Cost                     | 437,824   | 427,740   | 5,286,187   | 5,700,000 | 11,851,751  |
| Accumulated depreciation | (228,415) | (392,514) | (2,121,509) | (620,741) | (3,363,179) |
| Net book value - 2019    | 209,409   | 35,226    | 3,164,678   | 5,079,259 | 8,488,572   |

Depreciation rates

|     |     |     |    |
|-----|-----|-----|----|
| 10% | 30% | 15% | 5% |
|-----|-----|-----|----|

1 Assets disposed off during the year through negotiation

| Particulars              | Cost      | Accumulated Depreciation | WDV       | Sales Proceeds | Gain / (Loss) on Disposal | Sold to                      |
|--------------------------|-----------|--------------------------|-----------|----------------|---------------------------|------------------------------|
| <b>Vehicles</b>          |           |                          |           |                |                           |                              |
| Toyota Aqua - BDY-363    | 1,623,687 | 899,673                  | 724,014   | 1,400,000      | 675,986                   | Mr. Shumail Ahmed - Director |
| Toyota Aqua - BDX-758    | 1,652,000 | 812,352                  | 839,648   | 1,400,000      | 560,352                   | Mr. Aftab Sattar - CEO       |
| Toyota Corolla - BHY-345 | 1,919,000 | 466,767                  | 1,452,233 | 2,000,000      | 547,767                   | Mr. Aftab Sattar - CEO       |
| Bike                     | 45,500    | 24,718                   | 20,782    | 10,000         | (10,782)                  | F.S. Autos Karachi           |
| Total                    | 5,240,187 | 2,203,509                | 3,036,678 | 4,810,000      | 1,773,322                 | -                            |

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|   | Note   | 2020        | 2019        |
|---|--|-------------|-------------|
| -----Rupees-----  |  |             |             |
| <b>7 INTANGIBLE ASSETS</b>                              |  |             |             |
| Membership Entitlements                                 |  |             |             |
| Pakistan Stock Exchange Limited TREC                    | 7.1 & 8.1  | 200,000     | 200,000     |
|   |  | 200,000     | 200,000     |
| <b>Computer Software</b>                                |  |             |             |
| Computer software - Back office                         |  | 366,669     | 566,669     |
| less: Amortization during the year (1/5th amortization) |  | (200,000)   | (200,000)   |
|   |  | 166,529     | 366,669     |
|   |  | 366,529     | 566,669     |
| 7.1   | During 2016 Pakistan Stock Exchange Limited was demutualized and in terms whereof it's members have been allowed in exchange of membership, "Trading Right Entitlement Certificate (TREC)" along with shareholding in Pakistan Stock Exchange Ltd. The Company has recorded the value of membership in the KSE at Rs.50.5 Million as Intangibles while Pakistan Stock Exchange vide letter no: KSE/SECP-2013/1 have indicated notional value whereof at Rs. 15 Million. The Company have however allocated the carrying value/cost to the TREC at Rs.10.426 Million and took the balance to the value of Pakistan Stock Exchange Limited shares. Fair value of the TREC has been re-evaluated and impairment loss amounting to Rs 10.226 Million being difference of projected bid price of TREC and recorded value has been provided for. |             |             |
| <b>8 LONG TERM INVESTMENTS</b>                          |  |             |             |
| <b>Fair Value through other comprehensive income</b>    |  |             |             |
| 400,738 (2019: 400,738) Shares of Rs. 10 each of        |  |             |             |
| Pakistan Stock Exchange Limited                         | 7.1 & 8.1  | 7,914,575   | 7,914,575   |
| Less: Remeasurement loss                                |  | (3,947,272) | (2,704,981) |
|   |  | 3,967,303   | 5,209,594   |
| 8.1   | Face value of shares allotted by Pakistan Stock Exchange Limited in lieu of membership of the PSX works out at Rs.40.074 Million, while the recorded value of the membership card as Intangible asset was Rs. 50.5 Million, however the company has recorded the face value of the shares allotted and classified as fair value through other comprehensive income and followed the re-measurement method upon initiation of active market for these shares.   |             |             |
| <b>9 LONG TERM DEPOSITS</b>                             |  |             |             |
| Deposit with CDC Pakistan Ltd                           |  | 100,000     | 100,000     |
| Deposit with National Clearing Company of Pak Ltd       |  | 1,400,000   | 1,400,000   |
| Base Minimum Capital Requirement PSX                    |  | 8,100,000   | 2,105,109   |
|   |  | 9,600,000   | 3,605,109   |

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|   | Note | 2020        | 2019         |
|---|------|-------------|--------------|
| -----Rupees-----  |      |             |              |
| <b>10 TRADE DEBTS</b>   |      |             |              |
| <b>Unsecured</b>  |      |             |              |
| Considered Good   | 10.1 | 35,063,638  | 39,409,949   |
|   |      | 35,063,638  | 39,409,949   |
| <b>10.1 Ageing analysis of amount due from customers</b>                                  |      |             |              |
| Not exceeding 5 days from trade date  |      | 1,502,497   | 507,405      |
| Exceeding 5 days but not exceeding 14 days  |      | 10,275,130  | 6,164,471    |
|   |      | 11,777,627  | 6,671,876    |
| Exceeding 14 days against which listed securities held                                    |      | 23,286,011  | 32,738,073   |
| Value after Hair cut applied on the basis of VAR  |      | 3,871,415   | 30,040,357   |
| <b>11 LOANS AND ADVANCES-Considered good, Unsecured</b>                                   |      |             |              |
| Current Portion of Long term loan to staff  |      | -           | 117,500      |
|   |      | -           | 117,500      |
| <b>12 TRADE DEPOSITS AND OTHER RECEIVABLES</b>  |      |             |              |
| Trade deposits - ( NCCPL - Ready Exposure Margin )  |      | 2,000,000   | 630,000      |
| Trade deposits - ( NCCPL - MTS Exposure Margin )  |      | 4,003,529   | 3,100,567    |
| Trade deposits - ( NCCPL - Future Exposure / Losses in DFC ) - and Future Profit Retained |      | 261,707     | 21,576,822   |
| Other Receivable from Chief Executive   |      | -           | 1,000,000    |
| Others-- Agent Receivable   |      | 643,667     | 1,914,125    |
|   |      | 6,908,903   | 28,221,514   |
| <b>13 SHORT TERM INVESTMENTS</b>  |      |             |              |
| <b>At fair value through profit or loss</b>   |      |             |              |
| In Listed Companies   | 13.1 | 177,009,864 | 143,490,565  |
|   |      | 177,009,864 | 143,490,565  |
| <b><u>Fair value through other comprehensive income</u></b>                               |      |             |              |
| Pakistan Stock Exchange Limited   |      |             |              |
| 631,526 (2019: 758,720) Shares of Rs. 10 each   | 8.1  | 6,252,107   | 9,863,360    |
|   |      | 183,261,971 | 153,353,925  |
| <b>13.1 In Listed Shares</b>  |      |             |              |
| Cost of Investments including held under MTS  |      | 183,248,394 | 157,311,508  |
| Unrealized remeasurement loss   |      | (6,238,530) | (13,820,943) |
| Net Carrying Values being market values   |      | 177,009,864 | 143,490,565  |
| Value of shares held in CDC house or customers  |      | 296,539,311 | 255,261,922  |
| Value of shares under pledge house and sponsors/Family members                            |      | 89,620,024  | 105,750,626  |

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|   | 2020             | 2019              |
|---|------------------|-------------------|
|   | -----Rupees----- |                   |
| <b>14 BANK BALANCES</b>                                     |                  |                   |
| Js Bank Ltd - K.S.E Branch (Client A/c) - Stock Exchange Br | 4,273,099        | 14,698,975        |
| Meezan Bank Ltd (Client A/c) - Stock Exchange Br            | 701,493          | 700,993           |
| Cash at bank - Client's current accounts balances           | 4,974,593        | 15,399,968        |
| MCB Bank Ltd - K.S.E Branch                                 | 17,431           | 17,431            |
| Summit Bank Ltd - K.S.E Branch                              | 500              | 500               |
| Meezan Bank Ltd (O/D)- K.S.E Branch                         | 8,906            | 8,745             |
| Cash at bank - Current Accounts                             | 26,837           | 26,676            |
|   | <b>5,001,429</b> | <b>15,426,644</b> |

| <b>15 ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b> | 2020              | 2019              |  | 2020               | 2019               |
|--|-------------------|-------------------|--|--------------------|--------------------|
|  | 4,500,000         | 4,500,000         | Allotted for consideration paid in cash                                    | 45,000,000         | 45,000,000         |
|  | 9,500,000         | 9,500,000         | Allotted for consideration other than cash, (Conversion of KSE membership) | 95,000,000         | 95,000,000         |
|  | <b>14,000,000</b> | <b>14,000,000</b> |  | <b>140,000,000</b> | <b>140,000,000</b> |

| <b>15.1 Pattern of shareholding</b> | 2020         | 2019  | 2020         | 2019       |
|-------------------------------------|--------------|-------|--------------|------------|
| Name of share holders               | % of Holding |       | No of shares |            |
| 1. Mr. Aftab Sattar                 | 70%          | 60%   | 9,799,000    | 8,399,000  |
| 2. Mr. Abdul Rauf                   | 0%           | 10%   | -            | 1,400,000  |
| 4. Mrs. Erum Aznim                  | 25%          | 25%   | 3,500,000    | 3,500,000  |
| 7. Mr. Abdul Jabbar                 | 5%           | 5%    | 700,000      | 700,000    |
| 8. Others less than 5 %             | 0.01%        | 0.01% | 1,000        | 1,000      |
|                                     | 100%         | 100%  | 14,000,000   | 14,000,000 |

|  |            |            |
|--|------------|------------|
| <b>16 LOAN FROM DIRECTOR &amp; SPONSOR - EQUITY CONTRIBUTION</b> |            |            |
| Loan From Director & Sponsor - Unsecured, interest free          | 39,300,000 | 19,500,000 |

This represents loan from Director, Sponsor and repayable at the discretion of the company, hence in accordance with TR-32 issued by Institute of Chartered Accountants of Pakistan (ICAP), the loan has been classified as an equity contribution as per Selected Opinion of ICAP.

|   |      |                   |
|---|------|-------------------|
| <b>17 TRADE AND OTHER PAYABLES</b>                |      |                   |
| Creditors for sale of shares on behalf of clients | 17.1 | 4,974,593         |
| MTS unreleased payable                            |      | 17,323,570        |
|   |      | <b>22,298,163</b> |
| Traders share in commission payable               | 17.2 | 251,403           |
| Accrued Expenses                                  |      | 1,317,729         |
| Other Liabilities                                 | 17.3 | 229,254           |
|   |      | <b>24,096,549</b> |

17.1 This includes an amount of Rs. Nil (2019: Rs. 1,937,658) payable to director.

17.2 This includes Rs. Nil (2019: Rs.23,842) payable to Chief Executive.

|                               |  |                |
|-------------------------------|--|----------------|
| <b>17.3 Other Liabilities</b> |  |                |
| Withholding tax               |  | 1,429          |
| Sindh sales tax on commission |  | 227,825        |
|                               |  | <b>229,254</b> |

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|  |  | 2020               | 2019               |
|--|--|--------------------|--------------------|
|  |  | -----Rupees-----   |                    |
| <b>18 ACCRUED MARKUP</b>                     |  |                    |                    |
| Accrued mark-up on running finance - secured |  | <u>3,259,665</u>   | <u>4,664,315</u>   |
| <b>19 SHORT TERM BORROWINGS -Secured</b>     |  |                    |                    |
| <b>Secured, Markup Bearing</b>               |  |                    |                    |
| Running finances from bank                   | 19.1   | 113,851,360        | 129,617,044        |
|  |  | -                  |                    |
|  |  | <u>113,851,360</u> | <u>129,617,044</u> |
| <b>19.1</b>                                  | The facilities for running finance are available from a commercial bank aggregating to Rs. 300 Million (June-2019 : Rs.300 million) and carry mark-up at the rate 3 M Kibor + 200 points spread (June-2019 : 3 M. Kibor + 200 pints spread ) per annum calculated on a daily product basis chargeable and payable quarterly. These arrangements are secured against pledge/hypothecation of marketable securities, movable assets, and collaterally secured by equitable mortgage of property owned by sponsors valuing Rs 90 Million and personal guarantee of all the directors. |                    |                    |
|  |  | 59,897,043         | 71,322,265         |
|  |  | <u>3,576,400</u>   | <u>16,734,840</u>  |

**20 Contingencies and Commitments**

There were no guarantees given by the company on behalf of any related party during the year.

There were no contingencies and commitments at the year end.

|  |  | 2020               | 2019                |
|--|--|--------------------|---------------------|
|  |  | -----Rupees-----   |                     |
| <b>21 OPERATING REVENUES</b>                             |  |                    |                     |
| Brokerage Revenue - Securities - net of brokerage shares |  | 16,782,745         | 26,196,061          |
| Income From Margin Finance                               |  | 3,057,520          | 6,946,918           |
| Income From Exposure Deposits NCCPL - MTS                |  | 331,782            | 297,561             |
| Income From Exposure Deposits NCCPL - RMS                |  | 636,798            | 628,198             |
| Other Income / Commission                                |  | 665,470            | 603,269             |
| Income From New script Commission (IPO)                  |  | -                  | 811                 |
| Profit in Cash Margin - BMC                              |  | 434,912            | -                   |
|  |  | <u>21,909,226</u>  | 34,672,817          |
| Less: Trader's shares in brokerage                       |  | <u>(7,784,842)</u> | <u>(13,459,021)</u> |
|  |  | 14,124,385         | 21,213,796          |
| Dividend Income  |  | 5,239,187          | 7,028,613           |
|  |  | <u>19,363,571</u>  | <u>28,242,409</u>   |

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|           |  | 2020              | 2019              |
|-----------|--|-------------------|-------------------|
|           |  | -----Rupees-----  |                   |
| <b>22</b> | <b>ADMINISTRATIVE AND OPERATING EXPENSES</b> |                   |                   |
|           | Salaries and benefits                        | 15,088,617        | 15,172,500        |
|           | Fees, subscription and charges               | 6,776,574         | 4,889,025         |
|           | Communication and Conveyance                 | 317,365           | 1,096,430         |
|           | KSE IT and Kats                              | 573,791           | 645,896           |
|           | Utilities                                    | 525,198           | 518,685           |
|           | Office repairs and maintenance               | 26,700            | 81,600            |
|           | Software Maintenance                         | 697,118           | 652,574           |
|           | General Expenses                             | 597,180           | 1,035,310         |
|           | Printing and stationery / Courier Service    | 120,568           | 19,910            |
|           | Insurance                                    | 52,171            | 52,170            |
|           | Entertainment                                | 482,025           | 534,160           |
|           | Donation                                     | 335,000           | 276,000           |
|           | Amortization of Intangibles                  | 200,000           | 200,000           |
|           | Depreciation                                 | 400,098           | 864,167           |
|           | Auditors' Remuneration                       | 226,800           | 188,000           |
|           |  | <u>26,419,205</u> | <u>26,226,428</u> |

22.1 None of the directors or their had any interest in donee's fund while none of the beneficiary received amount exceeding Rs 500,000.

**22.2 Auditors' Remuneration**

|                                  |                |                |
|----------------------------------|----------------|----------------|
| Audit fees and sindh service tax | 118,800        | 118,800        |
| Certifications fees              | 32,400         | 69,200         |
| System Audit fees                | 75,600         | -              |
|                                  | <u>226,800</u> | <u>188,000</u> |

**23 OTHER OPERATING EXPENSES**

|   |          |               |
|---|----------|---------------|
| Loss on disposal of property, plant & equipment | -        | 33,188        |
|   | <u>-</u> | <u>33,188</u> |

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|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
|   | -----Rupees-----     |                      |
| <b>24 FINANCE COST</b>  |                      |                      |
| Mark-up on short term running finances  | 23,937,105           | 16,905,601           |
|   | <u>23,937,105</u>    | <u>16,905,601</u>    |
| <b>25 TAXATION</b>  |                      |                      |
| Current - for the year  | 4,698,302            | 5,377,521            |
| Deferred-(Reversal)/Charge  | 25.1 -               | -                    |
|   | <u>4,698,302</u>     | <u>5,377,521</u>     |
| 25.1 In view of deductible temporary differences, deferred tax asset arose which has not been recognized in view of remote possibility of realization due to final tax regime applicability on capital gains and lower normal tax regime profitability. |                      |                      |
| <b>26 CASH FLOW FROM OPERATING ACTIVITIES</b>   |                      |                      |
| Profit / (loss) before taxation   | 19,906,659           | (99,032,304)         |
| <b>Adjustments for non -cash charges and other items</b>  |                      |                      |
| Depreciation  | 400,098              | 864,167              |
| Amortization of intangible  | 200,000              | 200,000              |
| (Gain) / Loss on disposal of vehicles   | (1,773,322)          | 33,188               |
| Unrealized loss on remeasurement of shares  | 6,238,530            | 13,820,943           |
| Finance cost  | 23,937,105           | 16,905,601           |
|   | <u>29,002,411</u>    | <u>31,823,899</u>    |
| <b>Operating profit before working capital changes</b>  | <b>48,909,069</b>    | <b>(67,208,405)</b>  |
| <b>Changes in working capital</b>   |                      |                      |
| Trade debts   | 4,346,311            | 21,356,664           |
| Loans and advances  | 117,500              | 20,500               |
| Trade deposits, prepayments & other receivables   | 21,312,611           | (18,290,863)         |
|   | 25,776,423           | 3,086,301            |
| <b>Increase /(Decrease) in Current liabilities</b>  |                      |                      |
| Trade and other payables  | (24,477,921)         | (47,851,269)         |
|   | <u>50,207,571</u>    | <u>(111,973,373)</u> |
| <b>27 CASH AND CASH EQUIVALENTS</b>   |                      |                      |
| Cash and bank balances  | 5,001,429            | 15,426,644           |
| Short term finances   | (113,851,360)        | (129,617,044)        |
|   | <u>(108,849,930)</u> | <u>(114,190,400)</u> |

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Financial Assets and Liabilities of the company, interest and non interest bearing, along with their maturities are as follows:

| 2020                      |                         |           |                               |                         |             |             |
|---------------------------|-------------------------|-----------|-------------------------------|-------------------------|-------------|-------------|
| Markup / Interest Bearing |                         |           | Non Markup / Interest Bearing |                         |             | Total       |
| Maturity Upton One Year   | Maturity after One Year | Sub Total | Maturity Upton One Year       | Maturity after One Year | Sub Total   |             |
| -                         | -                       | -         | -                             | 9,600,000               | 9,600,000   | 9,600,000   |
| -                         | -                       | -         | 35,063,638                    | -                       | 35,063,638  | 35,063,638  |
| -                         | -                       | -         | 183,261,971                   | 3,967,303               | 187,229,275 | 187,229,275 |
| -                         | -                       | -         | -                             | 524,000                 | 524,000     | 524,000     |
| 6,265,236                 | -                       | 6,265,236 | -                             | -                       | -           | 6,265,236   |
| -                         | -                       | -         | 5,001,429                     | -                       | 5,001,429   | 5,001,429   |
| 6,265,236                 | -                       | 6,265,236 | 223,327,038                   | 14,091,303              | 237,418,342 | 243,683,578 |

**FINANCIAL ASSETS**

- Long Term deposits
- Trade Debts
- Investments
- Loans and advances
- Trade deposits
- Bank Balances

**FINANCIAL LIABILITIES**

- Trade and other payables
- Short-term borrowing
- Accrued Markup

|             |   |             |            |   |            |             |
|-------------|---|-------------|------------|---|------------|-------------|
| -           | - | -           | 24,096,549 | - | 24,096,549 | 24,096,549  |
| 113,851,360 | - | 113,851,360 | -          | - | -          | 113,851,360 |
| -           | - | -           | 3,259,665  | - | 3,259,665  | 3,259,665   |
| 113,851,360 | - | 113,851,360 | 27,356,214 | - | 27,356,214 | 141,207,573 |

**2019**

| Markup / Interest Bearing |                         |            | Non Markup / Interest Bearing |                         |             | Total       |
|---------------------------|-------------------------|------------|-------------------------------|-------------------------|-------------|-------------|
| Maturity Upton One Year   | Maturity after One Year | Sub Total  | Maturity Upton One Year       | Maturity after One Year | Sub Total   |             |
| -                         | -                       | -          | -                             | 3,605,109               | 3,605,109   | 3,605,109   |
| -                         | -                       | -          | 39,409,949                    | -                       | 39,409,949  | 39,409,949  |
| -                         | -                       | -          | 153,353,925                   | 5,209,594               | 158,563,519 | 158,563,519 |
| -                         | -                       | -          | 117,500                       | 2,323,500               | 2,323,500   | 2,323,500   |
| 25,307,389                | -                       | 25,307,389 | 1,000,000                     | -                       | 1,000,000   | 26,307,389  |
| -                         | -                       | -          | 15,426,644                    | -                       | 15,426,644  | 15,426,644  |
| 25,307,389                | -                       | 25,307,389 | 209,308,018                   | 11,020,703              | 220,328,721 | 245,636,110 |

**FINANCIAL ASSETS**

- Long Term deposits
- Trade Debts
- Investments
- Loans and advances
- Trade deposits
- Bank Balances

**FINANCIAL LIABILITIES**

- Trade and other payables
- Short-term borrowing
- Accrued Markup

|             |   |             |            |   |            |             |
|-------------|---|-------------|------------|---|------------|-------------|
| -           | - | -           | 48,574,470 | - | 48,574,470 | 48,574,470  |
| 129,617,044 | - | 129,617,044 | -          | - | -          | 129,617,044 |
| -           | - | -           | 4,664,315  | - | 4,664,315  | 4,664,315   |
| 129,617,044 | - | 129,617,044 | 53,238,785 | - | 53,238,785 | 182,855,829 |

The effective interest/markup rates for the financial assets and liabilities are mentioned in respective notes to the financial statements. While commission chargeable on off statement of financial position items is chargeable as advised by the banks.



## 29 FINANCIAL INSTRUMENTS

### 29.1 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company's activities expose it to a certain financial risks:

- Credit risk
- Liquidity risk
- Market risk (including currency risk, interest rate risk and other price risk)

The Company's overall risk management programs focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board) under policies approved by the board. The Board provides formal principles for overall risk management, as well as significant policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

The information about the company's exposure to each of the above risk, the company's objectives, policies and procedures for measuring and managing risk, and the company's management of capital, is as follows;

#### a) Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company manages credit risk inter alia by limiting advances and credit to individual customers based on their credit worthiness, obtaining advance against exposure, obtaining collaterals where considered necessary and making appropriate provision for doubtful receivables.

#### Exposure to credit Risk

Company's credit risk is mainly attributable to loans and advances, balances with banks and financial institutions, and credit exposure to customers, including trade receivables and committed transactions. The maximum exposure of the company to credit risk is as follows:

|                         | 2020               | 2019               |
|-------------------------|--------------------|--------------------|
|                         | Rupees             |                    |
| Long term Investments   | 3,967,303          | 5,209,594          |
| Long Term deposits      | 9,600,000          | 3,605,109          |
| Long term loan to staff | 524,000            | 2,206,000          |
| Trade Debts             | 35,063,638         | 39,409,949         |
| Short term investments  | 183,261,971        | 153,353,925        |
| Loans and advances      | -                  | 117,500            |
| Trade deposits          | 6,265,236          | 26,307,389         |
| Bank Balances           | 5,001,429          | 15,426,644         |
|                         | <u>243,683,578</u> | <u>245,636,111</u> |

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### **Loans and advances**

These loans and advances are essentially due from employees and are usually adjustable against their salaries and retirement benefit balances. The Company regularly pursues for the recovery of these and the Company does not expect that employees will fail to meet their obligations. Hence the company believes that no impairment allowance is necessary in respect of loans.

### **Trade Debts and Investments**

Trade debts are against client shareholding in listed securities which are actively traded in the market and realizable amounts are worked out, while for the differential margin are made and recovered. Similarly investments mainly represents shareholding in listed securities which are actively traded in the market and realizable amounts are worked out, while for the differential re-measurement differences are instantly recorded.

### **Trade Deposits**

These are given to PSX/NCCPL which are prime regulator and enjoys sound credibility.

### **Bank balances**

The company maintains balances with banks that have good and stable credit rating. Given these credit ratings, management does not expect that any counter party will fail to meet their obligations.

### **b) Liquidity risk**

Liquidity risk represent the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. Contractual maturities of financial liabilities, including interest payments excluding the impact of netting arrangements, are shown in the Note 28.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The management forecasts liquidity risks on the basis of expected cash flow considering the level of liquid assets necessary to meet such risk. This involves monitoring statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

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 Company ensures that it has sufficient cash on demand to meet expected working capital requirements.

### **c) Market Risk**

Market risk is the risk that the fair value or future cash flows of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. Market risk comprises of three types of risks: Foreign Exchange / Currency risk, interest rate risk and other price risk. The company is directly exposed to other price risk and interest rate risk only.

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### Foreign exchange / Currency risk

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arise mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange. The Company is not exposed to this risk.

### Interest / Markup rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in the interest / mark-up rates. The exposure to interest rate risk mainly arises in respect of variable markup / interest bearing long term and short borrowings from banks. The Company's net exposure to markup/interest rate risk is as follows;

|                       | 2020               | 2019               |
|-----------------------|--------------------|--------------------|
|                       | Rupees             |                    |
| Short term borrowings | 113,851,360        | 129,617,044        |
|                       | <u>113,851,360</u> | <u>129,617,044</u> |

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have (increased) / decreased profit for the year by Rs. 1,138,514 (2019: Rs. 1,296,170). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

#### d) Other price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest or currency rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is exposed to equity price risk which is managed and mitigated by keeping sufficient exposure from the client's of the brokerage house.

At the reporting date if the share price of on investment at fair value through profit or loss had strengthened/weakened by 10% with all other variables held constant, pre tax profit for the year would have been higher/lower by the amount as shown below.

|   | 2020             | 2019             |
|---|------------------|------------------|
|   | Rupees           |                  |
| Effect on profit and investment                     | 17,700,986       | 14,349,057       |
| Effect on other comprehensive income and investment | <u>1,021,941</u> | <u>1,507,295</u> |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets/liabilities of the Company.

#### 29.2 Fair value of Financial Assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's accounting policies and disclosure relating to certain instruments requires the use of fair value measurement and the Company while assessing fair value maximize the use of relevant of observable inputs and minimize the use of unobservable inputs establishing a fair value hierarchy, i.e., input used in fair value measurement is categorized into following three levels;

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Level 1: Level 1 inputs are the quoted prices in active markets for identical assets or liabilities that can be assessed at measurement.

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

Level 3: Level 3 inputs are unobservable inputs for the asset or liability.

As at statement of financial position the fair value of all the financial assets and liabilities approximates to their carrying values. The Company's investment in listed shares amount to Rs. 187.229 million in level 1 and does not expect that unobservable inputs may have significant effect on fair values.

### 30 CAPITAL RISK MANAGEMENT

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other shareholders and to maintain an optimal capital structure to reduce the cost of capital.

During year the Company's strategy was to maintain gearing. The gearing ratio as at balance sheet date is as follows:

|                                   | 2020               | 2019                |
|-----------------------------------|--------------------|---------------------|
|                                   | Rupees             |                     |
| Total interest bearing borrowings | 113,851,360        | 129,617,044         |
| Cash at bank                      | <u>(5,001,429)</u> | <u>(15,426,644)</u> |
| Net debt                          | <u>108,849,930</u> | 114,190,400         |
| Total equity                      | <u>66,126,325</u>  | 54,249,648          |
| Total capital                     | <u>174,976,255</u> | <u>168,440,048</u>  |
| Gearing ratio                     | <u>62.21%</u>      | <u>67.79%</u>       |

### 31 Net Capital Balance of the Brokerage House

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

The Net Capital Balance as required under Third Schedule of Securities and Exchange Rules, 1971 read with the SECP guidelines and sub rule 6(3) of the Securities Brokers (Licensing & Operation) Regulations, 2016 and schedule II whereof is calculated as follows:

| DESCRIPTION            | VALUATION BASIS                                     | Note   | RUPEES     |
|------------------------|---|--------|------------|
| <b>CURRENT ASSETS</b>  |   |        |            |
| Cash and Bank Balances | As per book value                                   | 31.1.1 | 11,266,665 |
| Trade Receivables      | Book value less overdue for more than fourteen days | 31.1.2 | 11,777,627 |

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|   |  |        |                   |
|---|--|--------|-------------------|
| Investment in listed Securities in the name of broker | Securities on the exposure limit marked to market less 15% discount  | 31.1.3 | 130,662,614       |
| Investment in listed Securities held in MTS           | Securities on the exposure limit marked to market less 15% discount  | 31.1.4 | 17,798,355        |
| Securities Purchased for Clients                      | Securities purchased for the client and held by the member where the payment has not been received within fourteen days. | 31.1.5 | 3,871,415         |
| <b>Sub-total</b>                                      |  |        | 175,376,676       |
| <b>CURRENT LIABILITIES:</b>                           |  |        |                   |
| Trade Payables  | Book value less those overdue for more than 30 days  | 31.1.6 | 4,121,138         |
| Other Liabilities                                     | As classified under the generally accepted accounting principles (including trade payable overdue for more than 30 days) | 31.1.7 | 140,251,106       |
| <b>Sub-total</b>                                      |  |        | 144,372,244       |
| <b>Net Capital Balance as at June 30, 2020</b>        |  |        | <b>31,004,432</b> |
| <b>APPORTIONMENT</b>                                  |  |        |                   |
| Allocation of Pakistan Stock Exchange Limited         |  |        | 31,004,432        |

**Notes to the Net Capital are as follows:**

**31.1.1 Cash and Bank Balances**

|   |                   |
|---|-------------------|
| Cash in hand  | -                 |
| Bank Balances pertaining to brokerage house - Current Account | 4,974,593         |
| Bank Balances pertaining to client                            | 26,837            |
| Exposure margin deposit to NCCPL                              | 6,265,236         |
|   | <u>11,266,665</u> |

**31.1.2 Trade Receivables**

|                                     |                   |
|-------------------------------------|-------------------|
| Book value                          | 35,063,638        |
| Less: Overdue for more than 14 days | (23,286,011)      |
|                                     | <u>11,777,627</u> |

**31.1.3 Investment in listed Securities in the name of broker**

|                             |                    |
|-----------------------------|--------------------|
| Securities marked to market | 153,720,723        |
| Less: 15% discount          | (23,058,108)       |
|                             | <u>130,662,614</u> |

**31.1.4 Investment in listed Securities held in MTS**

|                             |                   |
|-----------------------------|-------------------|
| Securities marked to market | 20,939,241        |
| Less: 15% discount          | (3,140,886)       |
|                             | <u>17,798,355</u> |

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**31.1.5 Securities Purchased for Clients**

|   |           |
|---|-----------|
| Lower of overdue balance and securities held against such balance | 3,871,415 |
|---|-----------|

**31.1.6 Trade Payables**

|                                     |           |
|-------------------------------------|-----------|
| Book value                          | 4,974,593 |
| Less: overdue for more than 30 days | (853,455) |
|                                     | 4,121,138 |

**31.1.7 Other Liabilities**

|  |             |
|--|-------------|
| Creditors overdue more than 30 days                  | 853,455     |
| MTS unreleased payable                               | 17,323,570  |
| Running Finance from bank and accrued markup thereon | 117,111,025 |
| Other liabilities                                    | 4,963,057   |
|  | 140,251,106 |

**32 LIQUID CAPITAL STATEMENT**

The Liquid Capital Statement as required under sub rule 6(4) of the Securities Brokers (Licensing & Operation) Regulations, 2016 and schedule III whereof is calculated as follows;

| S. No.  | Head of Account  | Value in Pak Rupees                    | Hair Cut / Adjustments | Net Adjusted Value |
|---|--|--|------------------------|--------------------|
| <b>1. Assets</b>  |  |  |                        |                    |
| 1.1   | Property & Equipment   | 5,104,796                              | 100.00%                | -                  |
| 1.2   | Intangible Assets  | 366,529                                | 100.00%                | -                  |
| 1.3   | Investment in Govt. Securities   | -                                      | -                      | -                  |
| 1.4   | <b>Investment in Debt. Securities</b>  |  |                        |                    |
|   | <b>If listed than:</b>   |  |                        |                    |
|   | i. 5% of the balance sheet value in the case of tenure upto 1 year.              | -                                      | 5.00%                  | -                  |
|   | ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.       | -                                      | 7.50%                  | -                  |
|   | iii. 10% of the balance sheet value, in the case of tenure of more than 3 years. | -                                      | 10.00%                 | -                  |
|   | <b>If unlisted than:</b>   |  |                        |                    |
|   | i. 10% of the balance sheet value in the case of tenure upto 1 year.             | -                                      | 10.00%                 | -                  |
|   | ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.      | -                                      | 12.50%                 | -                  |
|   | iii. 15% of the balance sheet value, in the case of tenure of more than 3 years. | -                                      | 15.00%                 | -                  |
|   |  | <b>Investment in Equity Securities</b> |                        |                    |
| 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. |  | 174,659,964                            | 30,608,206             | 144,051,758        |
| ii. If unlisted, 100% of carrying value.  |  | -                                      | 100.00%                | -                  |

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|      |   |            |         |           |
|------|---|------------|---------|-----------|
| 1.5  | 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. | -          | 100.00% | -         |
|      | 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.                                 | 12,569,311 | 100.00% | -         |
| 1.6  | Investment in subsidiaries  | -          | 100.00% | -         |
| 1.7  | <b>Investment in associated companies/undertaking</b>   |            |         |           |
|      | i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.  | -          | -       | -         |
|      | ii. If unlisted, 100% of net value.   | -          | 100.00% | -         |
| 1.8  | Statutory or regulatory deposits/with the exchanges, clearing house or central depository or any other entity.  | -          | 100.00% | -         |
| 1.9  | Margin deposits with exchange and clearing house.   | 6,265,236  | -       | 6,265,236 |
| 1.10 | Deposit with authorized intermediary against borrowed securities under SLB.   | -          | -       | -         |
| 1.11 | Other deposits and prepayments  | 10,767,667 | 100.00% | -         |
| 1.12 | Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil)  | -          | -       | -         |
|      | 100% in respect of markup accrued on loans to directors, subsidiaries and other related parties   | -          | 100.00% | -         |
| 1.13 | Dividends receivables.  | -          | -       | -         |
| 1.14 | Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. ( <i>Securities purchased under repo arrangement shall not be included in the investments.</i> )              | -          | -       | -         |
| 1.15 | i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months   | -          |         | -         |
|      | Receivables other than trade receivables  | -          | 100.00% | -         |
| 1.16 | Receivables from clearing house or securities exchange(s)   | -          |         |           |
|      | i. 100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.   | -          | 100%    | -         |
|      | ii. Receivable on entitlements against trading of securities in all markets including MtM gains.  |            |         |           |
|      | <b>Receivables from customers</b>   |            |         |           |

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|      |   |                    |            |                    |
|------|---|--------------------|------------|--------------------|
| 1.17 | 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.<br><i>i. Lower of net balance sheet value or value determined through adjustments.</i> | -                  | -          | -                  |
|      | ii. In case receivables are against margin trading, 5% of the net balance sheet value.<br><i>ii. Net amount after deducting haircut</i>   | -                  | 5.00%      | -                  |
|      | iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract,<br><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.<br><i>iv. Balance sheet value</i>   | 1,502,497          | -          | 1,502,497          |
|      | 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.                           | 32,661,653         | 13,038,465 | 13,038,465         |
|      | vi. 100% haircut in the case of amount receivable from related parties.   | 899,488            | 100.00%    | -                  |
| 1.18 | <b>Cash and Bank balances</b>   |                    |            |                    |
|      | i. Bank Balance-proprietary accounts  | 26,837             | -          | 26,837             |
|      | ii. Bank balance-customer accounts  | 4,974,593          | -          | 4,974,593          |
|      | iii. Cash in hand   | -                  | -          | -                  |
| 1.19 | <b>Total Assets</b>   | <b>249,798,570</b> |            | <b>169,859,385</b> |

## 2. Liabilities

|     |   |             |   |             |
|-----|---|-------------|---|-------------|
| 2.1 | <b>Trade Payables</b>                         |             |   |             |
|     | i. Payable to exchanges and clearing house    |             | - | -           |
|     | ii. Payable against leveraged market products | 17,323,570  | - | 17,323,570  |
|     | iii. Payable to customers                     | 4,974,593   | - | 4,974,593   |
| 2.2 | <b>Current Liabilities</b>                    |             |   |             |
|     | i. Statutory and regulatory dues              | -           | - | -           |
|     | ii. Accruals and other payables               | 1,798,386   | - | 1,798,386   |
|     | iii. Short-term borrowings                    | 117,111,025 | - | 117,111,025 |
|     | iv. Current portion of subordinated loans     | -           | - | -           |
|     | v. Current portion of long term liabilities   | -           | - | -           |
|     | vi. Deferred Liabilities                      | -           | - | -           |
|     | vii. Provision for bad debts                  | -           | - | -           |
|     | viii. Provision for taxation                  | 3,164,671   | - | 3,164,671   |

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|     |   |                    |   |                    |
|-----|---|--------------------|---|--------------------|
|     | ix. Other liabilities as per accounting principles and included in the financial statements   | -                  | - | -                  |
|     | <b>Non-Current Liabilities</b>  |                    |   |                    |
|     | i. Long-Term financing  | -                  | - | -                  |
|     | a. Long-Term financing obtained from financial institution: Long term portion of financing obtained from a financial institution including amount due against finance lease   |                    |   |                    |
|     | b. Other long-term financing  |                    |   |                    |
|     | 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:<br>a. The existing authorized share capital allows the proposed enhanced share capital<br>b. Board of Directors of the company has approved the increase in capital<br>c. Relevant Regulatory approvals have been obtained<br>d. There is no unreasonable delay in issue of shares   |                    |   |                    |
|     | iv. Other liabilities as per accounting principles and included in the financial statements   | -                  | - | -                  |
|     | <b>Subordinated Loans</b>   | -                  | - | -                  |
| 2.4 | i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted:<br>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:<br>a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period<br>b. No haircut will be allowed against short term portion which is repayable within next 12 months.<br>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. | 39,300,000         |   |                    |
|     | ii. Subordinated loans which do not fulfill the conditions specified by SECP  | -                  | - | -                  |
| 2.5 | <b>Total Liabilities</b>  | <b>183,672,244</b> |   | <b>144,372,244</b> |

3. Ranking Liabilities Relating to :

|     |  |   |   |   |
|-----|--|---|---|---|
| 3.1 | <b>Concentration in Margin Financing</b><br>The amount calculated client-to- client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees. | - | - | - |
|     | <b>Concentration in securities lending and borrowing</b>   |   |   |   |

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|   |  |   |   |   |
|---|--|---|---|---|
| 3.2   | The amount by which the aggregate of:<br>(i) Amount deposited by the borrower with NCCPL<br>(ii) Cash margins paid and<br>(iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed   | - | - | - |
| <b>Net underwriting Commitments</b>                     |  |   |   |   |
| 3.3   | (a) in the case of right issues : if the market value of securities is less than or equal to the subscription price;<br>the aggregate of:<br>(i) the 50% of Haircut multiplied by the underwriting commitments and<br>(ii) the value by which the underwriting commitments exceeds the market price of the securities.<br>In the case of rights issues where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting | - | - | - |
|   | (b) in any other case : 12.5% of the net underwriting commitments  | - | - | - |
| <b>Negative equity of subsidiary</b>                    |  |   |   |   |
| 3.4   | The amount by which the total assets of the subsidiary ( excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary  | - | - | - |
| <b>Foreign exchange agreements and foreign currency</b> |  |   |   |   |
| 3.5   | 5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency  | - | - | - |
| 3.6   | Amount Payable under REPO  | - | - | - |
| <b>Repo adjustment</b>                                  |  |   |   |   |
| 3.7   | In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities.<br>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.  | - | - | - |
| <b>Concentrated proprietary positions</b>               |  |   |   |   |
| 3.8   | If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security   | - | - | - |
| <b>Opening Positions in futures and options</b>         |  |   |   |   |

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|                             |   |                   |                       |                   |
|-----------------------------|---|-------------------|-----------------------|-------------------|
| 3.9                         | i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/ pledged with securities exchange after applying VaR haircuts   | -                 | -                     | -                 |
|                             | ii. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met  | -                 | -                     | -                 |
| <b>Short sell positions</b> |   |                   |                       |                   |
| 3.10                        | i. In case of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts | -                 | -                     | -                 |
|                             | ii. In case of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.  | -                 | -                     | -                 |
| 3.11                        | <b>Total Ranking Liabilities</b>  | -                 | -                     | -                 |
|                             |   | <u>66,126,326</u> | <b>Liquid Capital</b> | <u>25,487,141</u> |

**Calculations Summary of Liquid Capital**

|  |                   |
|--|-------------------|
| (i) Adjusted value of Assets (serial number 1.19)            | 169,859,385       |
| (ii) Less: Adjusted value of liabilities (serial number 2.5) | (144,372,244)     |
| (iii) Less: Total ranking liabilities (series number 3.11)   | -                 |
|  | <u>25,487,141</u> |

**33 RELATED PARTY TRANSACTION**

The related parties comprised associate undertakings and sponsors. The Company continues to have a policy whereby all transactions with related parties undertakings are entered into at commercial terms and conditions. Details of transaction with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

| Relationship              | Purpose          | Note | 2020<br>Amount | 2019<br>Amount |
|---------------------------|------------------|------|----------------|----------------|
| Chief Executive & Sponsor | Loan received    | 5    | 19,800,000     | 19,500,000     |
| Chief Executive           | Sale of Vehicles | -    | 3,400,000      | -              |
| Director                  | Sale of Vehicle  | 5    | 1,400,000      | -              |

**34 REMUNERATION TO CHIEF EXECUTIVE AND DIRECTORS**

|                              | Chief Executive  |                  | Executive        |                  |
|------------------------------|------------------|------------------|------------------|------------------|
|                              | 2020             | 2019             | 2020             | 2019             |
| Remuneration                 | 3,000,000        | 3,082,600        | 1,200,000        | 2,395,950        |
| Bonus                        | 250,000          | 250,000          | 100,000          | 200,000          |
| Tradee's shares in brokerage | 3,246,993        | 4,638,394        | -                | 903,685          |
|                              | <u>6,496,993</u> | <u>7,970,994</u> | <u>1,300,000</u> | <u>3,499,635</u> |
| Number of persons            | 1                | 1                | 1                | 1                |

W



| Director |      |
|----------|------|
| 2020     | 2019 |

|                              |                  |                  |
|------------------------------|------------------|------------------|
| Remuneration                 | 1,500,000        | 1,581,184        |
| Bonus                        | 125,000          | 250,000          |
| Tradee's shares in brokerage | 2,336,877        | 3,985,576        |
|                              | <u>3,961,877</u> | <u>5,816,760</u> |
| Number of persons            | <u>1</u>         | <u>1</u>         |

In addition to above, the Chief Executive and Director are allowed company maintained car for business and personal use.

|    |                         |             |             |
|----|-------------------------|-------------|-------------|
| 35 | <b>NO OF EMPLOYESS</b>  | <b>2020</b> | <b>2019</b> |
|    | As on reporting date    | <u>16</u>   | <u>19</u>   |
|    | Average during the year | <u>17</u>   | <u>19</u>   |

The Company has yet to formulate employees retirement benefit policy which is underway.

36 **DATE OF AUTHORIZATION FOR ISSUE**  
The financial statements were authorized for issue by the Board of Directors on **30 SEP 2020**

37 **GENERAL**  
Figures have been rounded off to the nearest rupee.

LM



Chief Executive



Director

## DIRECTORS REPORT

Your directors are pleased to welcome you at the Annual General Meeting and present Annual audited financial statements for the year ended 30-June-2020. During the year company's business remained positive as is evident from the profit because of capital gain which is attributable to the stringent efforts of our team members.

| Financial Results  | (Rupees)            |
|--|---------------------|
| Profit after taxation  | <u>15,208,357</u>   |
| Fair Value Loss on recognition of Investment<br>at fair value through comprehensive Income | <u>(3,331,680)</u>  |
| Brought forward Loss   | <u>(85,750,352)</u> |
| Carried forward Loss   | <u>(73,873,675)</u> |
| Earning per share  | <u>1.09</u>         |

### Future Prospectus

Your directors projects for growth in brokerage business of the company as during the last year appetite for securities and investment activities of the county will likely to persist as well in the year to come and that will enable your company to penetrate and grab its due market share with the innovations and ideas of IT technology.

### Recommendation

In view of the business growth requiring financing no recommendations as to dividend has been proposed by the directors.

The auditors M/s. KRESTON HYDER BHIMJI & CO., Chartered Accountants retire and being eligible offers them for reappointment.

We acknowledge the dedication, loyalty support of the shareholders at all times.

Karachi the: 30-Sept-2020

For and on behalf of Board of Directors



**Aftab Sattar**  
Chief Executive Officer




**Shumail Ahmed**  
Director