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

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

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INDEPENDENT AUDITORS' REPORT

To the members of AKY Securities (Private) Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **M/s. AKY Securities (Private) Limited** (the Company), which comprise the statement of financial position as at **June 30, 2021**, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information ('the financial statements'), and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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

Basis for Opinion

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

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

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

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Karachi
Date: 27 SEP 2021

AKY Securities (Private) Limited

Statement of Financial Position
As at June 30, 2021

	Note	2021	2020
		Rupees	
ASSETS			
Non-current assets			
Property and equipment	4	2,616,667	2,546,818
Intangible asset	5	2,616,809	2,646,011
Long term deposits	6	2,500,000	2,500,000
		7,733,476	7,692,829
Current assets			
Short term investments	7	130,657,417	80,251,748
Trade debts	8	9,258,007	11,920,936
Loan, deposits and other receivables	9	2,806,428	583,981
Taxation - net		967,742	846,705
Bank balances	10	15,792,144	24,869,674
		159,481,738	118,473,044
Total assets		167,215,214	126,165,873
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
1,500,000 (2020: 1,500,000) ordinary shares of Rs. 100/- each		150,000,000	150,000,000
Issued, subscribed and paid up capital	11	60,000,000	60,000,000
Revenue reserve			
Unappropriated profit		39,099,104	1,621,593
		99,099,104	61,621,593
Current liabilities			
Payable to shareholder	12	58,900,000	58,900,000
Trade and other payables	13	9,216,110	5,644,280
		68,116,110	64,544,280
Contingency and commitments	14	-	-
Total equity and liabilities		167,215,214	126,165,873

The annexed notes from 1 to 25 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

AKY Securities (Private) Limited

Statement of Profit or Loss

For the year ended June 30, 2021

	Note	2021	2020
		Rupees	
Operating revenue	15	10,281,276	6,254,366
Capital (loss) / gain on sale of investments - net		(2,241,308)	1,592,453
Unrealised gain / (loss) on remeasurement of investments at fair value through profit or loss		36,607,842	(4,730,948)
		44,647,810	3,115,871
Administrative and operating expenses	16	(7,692,501)	(5,479,731)
Operating profit / (loss)		36,955,309	(2,363,860)
Other income	17	1,428,958	1,900,292
Profit / (loss) before taxation		38,384,267	(463,568)
Taxation	18	(906,756)	(760,026)
Profit / (loss) after taxation		37,477,511	(1,223,594)

The annexed notes from 1 to 25 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

AKY Securities (Private) Limited

Statement of Comprehensive Income
For the year ended June 30, 2021

	2021	2020
	Rupees	
Profit / (loss) after taxation	37,477,511	(1,223,594)
Other comprehensive income		
Items that will not subsequently be reclassified to profit or loss	-	-
Total comprehensive income / (loss) for the year	37,477,511	(1,223,594)

The annexed notes from 1 to 25 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

AKY Securities (Private) Limited

Statement of Changes in Equity
For the year ended June 30, 2021

	Issued, subscribed and paid up capital	Unappropriated profit	Total
	Rupees		
Balance as at June 30, 2019	118,900,000	2,845,187	121,745,187
Total comprehensive income for the year ended June 30, 2020			
- Loss after taxation	-	(1,223,594)	(1,223,594)
- Other comprehensive income	-	-	-
	-	(1,223,594)	(1,223,594)
Transaction with owners			
Reduction in paid up capital	(58,900,000)	-	(58,900,000)
Balance as at June 30, 2020	60,000,000	1,621,593	61,621,593
Total comprehensive income for the year ended June 30, 2021			
- Profit after taxation	-	37,477,511	37,477,511
- Other comprehensive income	-	-	-
	-	37,477,511	37,477,511
Balance as at June 30, 2021	60,000,000	39,099,104	99,099,104

The annexed notes from 1 to 25 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

AKY Securities (Private) Limited

Statement of Cash Flows

For the year ended June 30, 2021

	Note	2021	2020
		Rupees	
Profit / (loss) before taxation		38,384,267	(463,568)
CASH FLOWS FROM OPERATING ACTIVITIES			
Adjustment for non cash items:			
Depreciation		229,877	220,512
Amortization		29,202	36,503
Liabilities written back		(153,909)	-
Capital loss / (gain) on sale of investments - net		2,241,308	(1,592,453)
Unrealised (gain)/ loss on remeasurement of investments at fair value through profit or loss investments at fair value through profit or loss		(36,607,842)	4,730,948
		(34,261,364)	3,395,510
Operating cash flows before working capital changes		4,122,903	2,931,942
(Increase)/decrease in current assets			
(Purchase) / sale of Investment in quoted securities		(16,039,135)	(5,272,888)
Trade receivables		2,662,929	(982,780)
Loan, Deposits and Other Receivables		(2,222,447)	(72,981)
Increase/(decrease) in current liabilities			
Sales tax payable		125,859	6,813
Trade and other payables		3,599,880	3,862,635
		(11,872,914)	(2,459,201)
		(7,750,011)	472,741
Taxes paid-net		(1,027,793)	(936,030)
Net cash used in operating activities		(8,777,804)	(463,289)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property & equipment		(299,726)	(45,415)
Net cash used in investing activities		(299,726)	(45,415)
Net decrease in cash and cash equivalents during the year		(9,077,530)	(508,704)
Cash and cash equivalents at the beginning of the year		24,869,674	25,378,378
Cash and cash equivalents at the end of the year	10	15,792,144	24,869,674

The annexed notes from 1 to 25 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

1 STATUS AND NATURE OF BUSINESS

AKY Securities (Private) Limited (the Company) is a private limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 ('the Ordinance') which has now been replaced by Companies Act, 2017 ('the Act') on November 01, 2005. The registered office of the Company is situated at office no 48, First Floor, Pakistan Stock Exchange Building, Karachi. The Company is a Trading Right Entitlement Certificate Holder of the Pakistan Stock Exchange Limited and is engaged in the business of stock brokerage and investment.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting and financial 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 are notified under the Companies Act, 2017; and

- Provisions of, and directives issued under, the Companies Act, 2017.

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for short term investments which are measured at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

	Note
- Useful lives, residual values and depreciation methods of property and equipment	3.1
- Useful lives, residual values and amortization method of intangible	3.2
- Provision for taxation	3.8

2.5 New accounting pronouncements

2.5.1 *Amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2021.*

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

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

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

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

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

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

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

  a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

  b. any reduction in lease payments affects only payments originally due on or before June 30, 2020 ; and

  c. there is no substantive change to the other terms and conditions of the lease.

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

- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are not likely to affect the financial statements of the Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any. Cost include expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the carrying amount as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss during the year in which they are incurred.

Depreciation is charged to statement of profit or loss applying the reducing balance method at the rates specified in note 4. Depreciation is charged when the asset is available for use till the asset is disposed off.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year in which the asset is derecognized.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of property and equipment as at June 30, 2021 did not require any adjustment.

3.2 Intangible assets

Trading Rights Entitlement (TRE) Certificate

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

Computer software

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is computed using the reducing balance method over assets estimated useful life at the rates stated in note 5, after taking into accounts residual value, if any. The residual values, useful life and amortization methods are reviewed and adjusted, if appropriate, at each reporting date.

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

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

3.3 Financial instruments

3.3.1 *Initial recognition, classification and measurement*

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

Regular way purchase of investments are recognized using settlement date accounting.

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

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

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets at FVOCI

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

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

(c) Financial assets at FVTPL

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, as aforesaid. However, for an investment in equity instrument which is not held for trading, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the investment.

Such financial assets are initially measured at fair value.

3.3.2 *Subsequent measurement*

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets at FVOCI

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

A gain or loss on a financial asset measured at fair value through other comprehensive income in accordance is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised , the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Interest is calculated using the effective interest method and is recognised in profit or loss.

(c) Financial assets at FVTPL

These assets are subsequently measured at fair value.

Net gains or losses arising from remeasurement of such financial assets as well as any interest income accruing thereon are recognized in the statement of profit or loss. However, for an investment in equity instrument which is not held for trading and for which the Company has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the investment, such gains or losses are recognized in other comprehensive income. Further, when such investment is disposed off, the cumulative gain or loss previously recognised in other comprehensive income is not reclassified from equity to profit or loss.

3.3.3 *Impairment*

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

For trade debt, the Company applies the IFRS 9 'Simplified Approach' to measuring expected credit losses which uses a lifetime expected loss allowance.

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

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

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

3.3.4 *De-recognition*

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

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

3.4 Financial liabilities

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

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

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

3.5 Offsetting of financial assets and financial liabilities

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

3.6 Trade debts

These are carried at their transaction price less any allowance for lifetime expected credit losses. A receivable is recognized on the settlement date as this is the point in time that the payment of the consideration by the customer becomes due.

3.7 Cash and cash equivalents

Cash and cash equivalent are carried in the statement of financial position at amortized cost. For the purpose of the statement of cash flows, cash and cash equivalents comprise of bank balances.

3.8 Taxation

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

Current tax

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

Deferred tax

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

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

Judgment and estimates

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

Further, the carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. If required, carrying amount of deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits to allow the benefit of part or all of that recognised deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.9 Provisions and contingent liabilities

Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are not recognised for future operating losses.

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

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

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

Contingent liabilities

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

3.10 Operating revenue

Revenue from trading activities - brokerage commission

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

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

Dividend income

Dividends received from investments measured at fair value through profit or loss are recognized in the statement of profit or loss when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

Mark up / interest income

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

4. PROPERTY AND EQUIPMENT

	Furniture and Fixtures	Office Equipment	Computer	Offices at PSX	Total
As at June 30, 2019					
Cost	865,200	230,255	2,075,779	4,200,000	7,371,234
Accumulated depreciation	(646,939)	(170,507)	(1,818,608)	(2,013,265)	(4,649,319)
Net book value	**218,261**	**59,748**	**257,171**	**2,186,735**	**2,721,915**
Movement during the year ended June 30, 2020					
Opening net book value	218,261	59,748	257,171	2,186,735	2,721,915
Additions during the year	-	-	45,415	-	45,415
Depreciation for the year	(21,826)	(5,975)	(83,374)	(109,337)	(220,512)
Closing Net Book Value	**196,435**	**53,773**	**219,212**	**2,077,398**	**2,546,818**
As at June 30, 2020					
Cost	865,200	230,255	2,121,194	4,200,000	7,416,649
Accumulated depreciation	(668,765)	(176,482)	(1,901,982)	(2,122,602)	(4,869,831)
Net book value	**196,435**	**53,773**	**219,212**	**2,077,398**	**2,546,818**
Movement during the year ended June 30, 2021					
Opening net book value	196,435	53,773	219,212	2,077,398	2,546,818
Additions	-	145,100	154,626	-	299,726
Depreciation for the year	(19,643)	(14,554)	(91,810)	(103,870)	(229,877)
Closing Net Book Value	**176,792**	**184,319**	**282,028**	**1,973,528**	**2,616,667**
As at June 30, 2021					
Cost	865,200	375,355	2,275,820	4,200,000	7,716,375
Accumulated depreciation	(688,408)	(191,036)	(1,993,792)	(2,226,472)	(5,099,708)
Net book value	**176,792**	**184,319**	**282,028**	**1,973,528**	**2,616,667**
Annual rate of depreciation	10%	10%	30%	5%	

5 INTANGIBLE ASSET

		2021	2020
		Rupees	
Trading Right Entitlement Certificate - PSX	*5.1*	**2,500,000**	2,500,000
Computer software	*5.2*	**116,809**	146,011
		2,616,809	2,646,011

5.1 This represents TREC received by the Company in accordance with the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 as amended by the Stock Exchanges (Corporatization, Demutualization and Integration) (Amendment) Act, 2015. These have been carried at cost less accumulated impairment losses.

5.1.1 PSX vide notice no. PSX/N - 225 dated February 16, 2021 have notified the notional fees of a Trading Right Entitlement Certificate which amounts to Rs. 2.5 million.

		2021	2020
5.2	**Computer software**	Rupees	
	Cost	398,709	398,709
	Accumulated amortization		
	Opening balance	(252,698)	(216,195)
	Charge for the year	(29,202)	(36,503)
	Closing balance	(281,900)	(252,698)
	Net book value as at June 30	116,809	146,011
	Amortization rate	20%	20%

6 LONG TERM DEPOSITS

	2021	2020
National Clearing Company of Pakistan Limited	1,400,000	1,400,000
Deposit against base minimum capital	1,000,000	1,000,000
Central Depository Company of Pakistan Limited	100,000	100,000
	2,500,000	2,500,000

7 SHORT TERM INVESTMENT

		2021	2020
Fair value through profit or loss			
Investment in quoted equity securities	*7.1*	130,657,107	80,251,480
Investment in mutual funds	*7.2*	310	268
		130,657,417	80,251,748

7.1 *Investment in quoted equity securities*

Scrips 2020	2021	Scrip name	Market value 2021	2020
105,000	105,000	ADAMJEE INSURANCE COMPANY LIMITED	4,354,350	3,476,550
134,213	134,213	ASKARI BANK LIMITED	3,050,662	1,840,060
2,327	12,827	ATTOCK REFINERY LIMITED	3,289,484	207,848
-	24,000	AVANCEON LIMITED	2,200,320	-
17,965	17,965	BANK AL HABIB LIMITED	1,259,706	939,570
9,562	9,562	THE BANK OF PUNJAB	80,321	80,321
8,809	8,809	ENGRO FERTILIZERS LIMITED	619,008	531,007
47,404	47,404	ENGRO CORPORATION LIMITED	13,965,692	13,885,580
1,327	1,327	FAYSAL BANK LIMITED	22,519	18,485
5,000	5,000	FRIESLANDCAMPINS ENGRO FOODS LIMITED	575,400	367,550
69,000	95,381	FAUJI FERTILIZER BIN QASIM LIMITED	2,519,012	1,101,240
86,500	86,500	FAUJI FERTILIZER COMPANY LIMITED	9,177,650	9,514,135
-	3,500	GHANDHARA INDUSTRIES LIMITED	976,570	-
-	40,500	GHANDHARA NISSAN LIMITED	4,423,815	-
39,328	39,328	GLAXOSMITHKLINE PAKISTAN LIMITED	6,515,470	6,846,218
11,796	11,796	HEALTHCARE PAKISTAN LIMITED	2,950,082	3,204,737
45,000	45,000	HABIB BANK LIMITED	5,506,650	4,359,150
183,816	183,816	HABIB METROPOLITAN BANK LIMITED	7,462,930	5,111,923
5,604	5,604	THE HUB POWER COMPANY LIMITED	446,471	406,290
32,000	32,000	KOT ADDU POWER COMPANY LIMITED	1,419,200	644,800
6,164	6,164	KOHAT CEMENT COMPANY LIMITED	1,272,804	847,242
12,969	12,969	MCB BANK LIMITED	2,072,835	2,101,886
-	11,000	NETSOL TECHNOLOGIES LIMITED	1,869,780	-
-	9,000	NIMIR RESINS LIMITED	181,350	-
9,369	9,369	OIL & GAS DEVELOPMENT LIMITED	890,336	1,021,221
60,500	63,525	ORIX LEASING PAKISTAN LIMITED	1,635,769	1,406,625
228	228	PICIC INSURANCE LIMITED	369	162
5,000	5,000	PAKISTAN PETROLEUM LIMITED	434,150	433,900
8,000	14,000	PAKISTAN STATE OIL COMPANY LIMITED	3,139,500	1,265,280
1,902,953	1,902,953	PAKISTAN STOCK EXCHANGE LIMITED	42,454,881	18,833,235
75,015	75,015	SONERI BANK LTD.	735,146	832,665
15,000	18,750	TARIQ GLASS INDUSTRIES LTD	1,994,625	967,800
-	19,000	TRG PAKISTAN LIMITED - CLASS 'A'	3,160,270	-
2,899,849	3,056,505		130,657,107	80,251,480

7.2 *Investment in mutual funds*

Units 2020	2021	Fund name	Market value 2021	2020
100	100	HBL INVESTMENT FUND - CLASS A	310	268
100	100	HBL INVESTMENT FUND - SEGMENT	-	-
200	200		310	268

8 TRADE DEBTS

Considered good	9,258,007	11,920,936

8.1 This includes receivable from related parties amounting to Rs. 8.91 million (2020: Rs. 11.89 million). The maximum aggregate amount outstanding at any time during the year with reference to month-end balances is Rs.11.9 milion (2020: Rs 17.85million).

8.2 *Aging analysis*	*Note*	2021 Rupees	2020 Rupees
Upto 90 days		8,972,127	11,699,781
More than 90 but upto 180 days		78,365	5,199
More than 180 but upto 360 days		5,584	14,527
More than 360 days		201,931	203,429
		9,258,007	11,922,936

8.3 **Details of securities pledged**

Pledged with NCCPL		
Brokerage House	18,035,320	15,525,610
Clients	-	-
Pledged with PSX		
Brokerage House	40,223,881	17,849,235
Clients	-	-
Pledged with Financial institutions		
Brokerage House	-	-
Clients	-	3,130,065

9 LOAN, DEPOSITS AND OTHER RECEIVABLES

	Note		
Loan to staff		24,500	-
Exposure deposits	*9.1*	2,000,000	500,000
Other receivables		781,928	83,981
		2,806,428	583,981

9.1 This represents deposits placed with National Clearing Company Pakistan Limited against the exposure margin in respect of trade in future market.

10 **BANK BALANCES**	*Note*	2021 Rupees	2020 Rupees
Cash at bank			
- in current accounts		8,409,518	4,105,674
- in savings accounts	*10.1*	7,382,626	20,764,000
		15,792,144	24,869,674

10.1 The return on these balances ranges from 5% to 5.75%% (2020: 10%-10.5%) per annum on daily product basis.

10.2 Bank balances include customers bank balances held in designated bank accounts amounting to Rs. 8.41 million (2020: Rs. 4.10 million)

b—

11 ISSUED SUBSCRIBED AND PAID UP CAPITAL

2021	2020		2021	2020
---- Number of shares ----			Rupees	
523,000	523,000	Ordinary shares of Rs. 100/- each fully paid other than ca	52,300,000	52,300,000
77,000	77,000	Ordinary shares of Rs. 100/- each fully paid in cash	7,700,000	7,700,000
600,000	600,000		60,000,000	60,000,000

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

11.2

Categories of shareholder	2021		2020	
Individual	Number of shares held	% of Shares held	Number of shares held	% of Shares held
Abdul kadir Yousuf	597,500	99.58%	597,500	99.58%
Total	600,000	100%	600,000	100%

12 In the year 2020, the Company applied to the Honourable Sind High Court for reduction in paid up capital which was granted by the court vide order dated November 27, 2019. The Company intends to pay off this amount within the next financial year..

13 TRADE AND OTHER PAYABLES

	2021	2020
	Rupees	
Creditors	8,409,518	4,105,674
Sales tax payable	163,545	37,686
Accrued expenses	643,047	498,816
Profit withheld	-	1,002,104
	9,216,110	5,644,280

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

The income tax authorities have issued Show Cause Notices to the Company, to amend original assessment order under section 122(9) read with section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2017. In this regard, in current year, the Company filed Constitution Petition before the Honourable High Court of Sindh at Karachi. The Honourable High Court of Sindh granted stay order in favour of the Petitioners. As at reporting date, the case is still pending for adjudication. However, the management is confident that the eventual outcome of the matter will be decided in favour of the Company, therefore, no provision has been made in this regard.

14.2 Commitments

There were no outstanding commitments as at June 30, 2021 (2020: None).

15 OPERATING REVENUE

	2021	2020
	Rupees	
Brokerage commission income	5,278,573	2,027,201
Less: Sales tax on services	(593,438)	(233,218)
	4,685,135	1,793,983
Dividend income	5,596,141	4,460,383
	10,281,276	6,254,366

15.1 This includes commission earned from directors.

		Note	2021	2020
			Rupees	
16	**ADMINISTRATIVE AND OPERATING EXPENSES**			
	Salaries and benefits	19	**3,254,063**	2,687,000
	Staff bonus		**273,500**	221,000
	Commission expenses		**1,240,671**	156,752
	PSX service charges		**177,472**	81,009
	NCCPL charges		**181,815**	89,114
	CDC charges		**151,173**	86,152
	Utilities		**238,538**	199,295
	Printing and stationery		**26,465**	69,888
	Communication charges		**46,205**	35,618
	Travelling & conveyance		**3,100**	20,570
	Legal and professional		**103,500**	-
	Fees and subscription		**989,332**	760,324
	Auditors' remuneration		**325,000**	300,000
	Repair and maintenance		**13,950**	7,500
	Depreciation	4	**229,877**	220,512
	Amortization	5.2	**29,202**	36,503
	General expenses		**230,177**	284,725
	Rent expense		**155,904**	188,943
	Bank charges		**22,557**	34,826
			7,692,501	5,479,731
17	**OTHER INCOME**			
	Profit on savings accounts		**1,223,149**	1,764,286
	Others		**205,809**	136,006
			1,428,958	1,900,292
18	**TAXATION**			
	Current		**906,756**	760,026

18.1 Relationship between tax expense and accounting profit

The numerical reconciliation between tax expense and accounting profit has not been presented for the current year and comparative year in these financial statements as the total income of the Company for the current and previous year attracted the provisions of minimum tax and final tax of the Income Tax Ordinance, 2001.

18.2 Income tax assessments of the Company are deemed to be finalized as per tax returns file up to tax year 2020. Tax returns are subject to further assessment under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select a deemed assessment order for audit.

19 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive	
	2021	2020
Managerial remuneration	**1,170,000**	1,170,000
Bonus	**97,500**	97,500
	1,267,500	1,267,500
Number of persons	**1**	1

19.1 No remuneration was paid to Directors of the Company.

20 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of key management personnel and directors of the Company and their close family members. Remuneration of the Chief Executive, Directors and executives as disclosed in note 19 to these financial statements. Transactions and balances with related parties are disclosed in relative notes to these finnacial statements.

21 FINANCIAL INSTRUMENTS

21.1 Financial risk analysis

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest/mark-up rate risk and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. The Company consistently manages its exposure to financial risk without any material change from previous periods in the manner described in notes below.

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

21.1.1 *Market risk*

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

i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As of the reporting date, the Company was not exposed to currency risk since there were no foreign currency transactions and balances at the reporting date.

ii) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company manages price risk by monitoring the exposure in quoted securities and implementing the strict discipline in internal risk management and investment policies, which includes disposing of its own quoted investment and collateral held before it led the Company to incur significant mark-to-market and credit losses. As of the reporting date, the Company was exposed to price risk since it had investments in quoted securities amounting to Rs. 130.657 million (2020: Rs. 80.252 million) and also because the Company held collaterals in the form of equity securities against their debtor balances.

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

Sensitivity analysis:

The table below summarizes Company's price risk as of June 30, 2021 and 2020 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of markets and the aforementioned concentrations existing in Company's investment portfolio.

		Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders' equity	Hypothetical increase / (decrease) in profit / (loss) after tax
June 30, 2021	*Rupees*	130,657,417	10% increase	143,723,159	11,105,881	11,185,881
			10% decrease	117,591,675	(11,105,881)	(11,105,881)
June 30, 2020	*Rupees*	80,251,748	10% increase	88,276,923	6,821,399	6,821,399
			10% decrease	72,226,573	(6,821,399)	(6,821,399)

iii) Interest rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

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

	2021	2020	2021	2020
	Effective interest rate (%)		Carrying amounts (Rs.)	
Financial assets				
Bank deposits - *pls account*	5% to 5.75%	10%-10.5%	7,382,626	20,764,000

Sensitivity analysis

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

21.1.2 *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk

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

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

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies, investment and operational guidelines approved by the Board of Directors.

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

	2021	2020
	Rupees	
Long term deposits	**2,500,000**	2,500,000
Trade debts	**9,258,007**	11,920,936
Short term loans, deposit and other receivables	**2,806,428**	583,981
Bank balances	**15,792,144**	24,869,674
	30,356,579	39,874,591

No impairment has been recognized except as disclosed in respect of these debts as the security against the same is adequate or counter parties have sound financial standing.

The credit quality of Company's liquid funds can be assessed with reference to external credit ratings as follows:

Banks	**Short term rating**	**Credit rating agency**	**2021**	2020
			Rupees	
Bank Al-Hbib Limited	A-1+	PACRA	**15,792,144**	24,869,674

Due to the Company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

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

21.1.3 ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business.

On the reporting date, the Company had bank balance amounting to Rs. 15.792 million (2020: Rs. 24.870 million) and liquid assets in the form of short term securities amounting to Rs. 130.657 million (2020: Rs. 80.252 million).

The following are the contractual maturities of financial liabilities:

	June 30, 2021					
	Carrying amount amount	Contractual cashflows cash flows	Six months or less	Six to twelve months	One to five years year	More than five years
	(Rupees)					
Financial liabilities						
Trade and other payables	9,050,065	9,050,065	9,050,065	-	-	-

	June 30, 2020					
	Carrying amount amount	Contractual cashflows cash flows	Six months or less	Six to twelve months	One to five years year	More than five years
	(Rupees)					
Financial liabilities						
Trade and other payables	5,490,195	5,490,195	5,490,195	-	-	-

21.2 Financial instruments by categories

	June 30, 2021		
As at June 30, 2021 **Financial assets**	At fair value through profit or loss	At Amortized cost	Total
	Rupees		
Long term deposits	-	2,500,000	2,500,000
Short term investments	130,657,417	-	130,657,417
Trade debts	-	9,258,007	9,258,007
Short term loans, deposit and other receivables	-	2,806,428	2,806,428
Bank balances	-	15,792,144	15,792,144
	130,657,417	30,356,579	161,013,996

	Financial liabilities at amortized cost
As at June 30, 2021	
Financial liabilities	— Rupees —
Trade and other payables	9,050,065

	June 30, 2020		
As at June 30, 2020 **Financial assets**	At fair value through profit or loss	Amortized cost	Total
	Rupees		
Long term deposits	-	2,500,000	2,500,000
Short term investments	80,251,748	-	80,251,748
Trade debts	-	11,920,936	11,920,936
Short term loans, deposit and other receivables	-	583,981	583,981
Bank balances	-	24,869,674	24,869,674
	80,251,748	39,874,591	120,126,339

	Financial liabilities at amortized cost
As at June 30, 2020 **Financial liabilities**	— Rupees —
Trade and other payables	5,490,195

22 FAIR VALUE OF 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. Consequently, differences can arise between carrying values and the fair value estimates.

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

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

Level 2 : Valuation techniques based on observable inputs.

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

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

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

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

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

June 30, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	-----Amount in Rupees-----			
Financial assets mesured at fair value				
Short term investments	130,657,417	-	-	130,657,417

June 30, 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	-----Amount in Rupees-----			
Financial assets mesured at fair value				
Short term investments	80,251,748	-	-	80,251,748

23 CAPITAL

23.1 Management of capital

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

23.2 The **Capital Adequacy Level** as defined by Central Depository Company (CDC) is calculated as follows;

		2021	2020
		Rupees	
Total assets	*23.2.1*	**167,215,214**	126,165,873
Less: Total liabilities		**(68,116,110)**	(64,544,280)
Less: revaluation reserves (created upon revaluation of fixed assets)		**-**	-
Capital Adequacy Level		**99,099,104**	61,621,593

23.2.1 While determining the value of the total assets, notional value of the TRE Certificate as at year end as determined by Pakistan Stock Exchange has been considered.

23.3 **Net Capital Balance [as per the requirements of the Securities Brokers (Licencing and Operations) Regulations, 2016]**

DESCRIPTION	VALUATION	Note	RUPEES
CURRENT ASSETS			
Cash in hand or in bank	As per Book Value	*23.3.1(i)*	17,792,144
Trade Receivables	Book Value less overdue for more than 14 days	23.3.1(ii)	4,292,607
Investment in listed securities in the name of broker.	Securities on the exposure list marked to market less 15% discount	*23.3.1(iii)*	76,868,242
Securities purchased for customers	Securities purchased for the customer and held by the broker where the payment has not been received within 14 days	*23.3.1(iv)*	5,222,127
Listed TFCs/Corporate Bonds of not less than BBB grade assigned by a credit rating company in Pakistan	Marked to market less 10% discount.	-	-
FIBs	Marked to market les 5% discount.	-	-
Treasury Bill	At market value	-	-
Any other current asset specified by the commission	As per the valuation basis determined by the commission	-	-
			104,175,120

DESCRIPTION	VALUATION	Note	RUPEES
CURRENT LIABILITIES			
Trade Payables	Book value less overdue for more than 30 days	*23.3.1(v)*	5,644,660
Other Liabilities	As classified under the generally accepted accounting principles	*23.3.1(vi)*	62,471,450
			68,116,110
Net Capital Balance as at June 30, 2021			**36,059,010**

23.3.1 Notes to the Net Capital Balance

(i) Cash and bank balances

	Rupees
Exposure margin deposited to NCCPL	2,000,000
Bank balance pertaining to clients	8,409,518
Bank balance pertaining to brokerage house	7,382,626
	17,792,144

(ii) Trade receivables

Gross value- Trade debts	9,258,007
Less: Overdue for more than 14 days	(5,230,708)
	4,027,299
Balance against unsettled trade	265,308
	4,292,607

(iii) Investment in Listed Securities in the name of broker

Securities marked to market	90,433,226
Less 15% discount	(13,564,984)
	76,868,242

(iv) Securities purchased for client

Overdue balance for more than 14 days -gross value	5,230,708
Lower of overdue balance and securities held against such balance	5,222,127

(v) Trade payables

Book value	8,409,518
Less: overdue for more than 30 days	(2,764,858)
	5,644,660

(vi) Other liabilities

Creditors overdue for more than 30 days	2,764,858
Sales tax payable	163,545
Accrued expenses	643,047
Payable to shareholder	58,900,000
	62,471,450

23.4 **Liquid Capital [as per the requirements of the Securities Brokers (Licencing and Operations) Regulations, 2016]**

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.1	Property & Equipment	2,616,667	100.00%	-
1.2	Intangible Assets	2,616,809	100.00%	-
1.3	Investment in Govt. Securities (Difference between BV and SV on the date on the basis of PKRV published by NIFT)		-	-
1.4	**Investment in Debt. Securities**			
	If listed than:			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.		5.00%	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	7.50%	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	10.00%	-
	If unlisted than:			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.	-	10.00%	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	12.50%	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	15.00%	-
1.5	**Investment in Equity Securities**			
	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	90,433,226	13,685,355	76,747,871
	ii. If unlisted, 100% of carrying value.	310	100.00%	-
	In case any securities are pledged, except those pledged on favour of securities exchange or clearing house against margin requirements or pledged in favour of banks against short-term financing arrangements, 100% haircut shall be applied for the purposes of computation of adjusted value of assets.	40,223,881	100.00%	
1.6	Investment in subsidiaries		100.00%	-
1.7	**Investment in associated companies/undertaking**			
	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.		-	
	ii. If unlisted, 100% of net value.		100.00%	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	2,500,000	100.00%	-
1.9	Margin deposits with exchange and clearing house.	2,000,000	-	2,000,000
1.10	Deposit with authorized intermediary against borrowed securities under SLB.		-	-
1.11	Other deposits and prepayments	2,215	100.00%	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.		-	-
	Nil other than 100% haircut in respect of markup accrued on loans to directors, subsidiaries and other related parties			
1.13	Dividends receivables.	497,855	-	497,855
1.14	Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. *(Securities purchased under repo arrangement shall not be included in the investments.)*		-	-
1.15	Advances and receivables other than trade receivables 1) No haircut may be applied on short term loan to employees provided these loans are secured and due for repayment within 12 months. 2) No haircut may be applied to the advance tax to the extent it is netted with provision of taxation. 3) In all other cases, 100% of net value	992,242	967,742	24,500
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.	281,858	16,550	265,308

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S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.17	**Receivables from customers**			
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. *i. Lower of net balance sheet value or value determined through adjustments.*		-	
	ii. Incase receivables are against margin trading, 5% of the net balance sheet value. *ii. Net amount after deducting haircut*	-	5.00%	-
	iii. Incase receivalbes are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, *iii. Net amount after deducting haricut*	-	-	-
	iv. Incase of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. *iv. Balance sheet value*	320,492	-	320,492
	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. *v. Lower of net balance sheet value or value determined through adjustments*	27,376	8,982	18,394
	vi. 100% haircut in the case of amount receivable form related parties.	8,910,139	100.00%	-
1.18	**Cash and Bank balances**			
	I. Bank Balance-proprietory accounts	7,382,626	-	7,382,626
	ii. Bank balance-customer accounts	8,409,518	-	8,409,518
	iii. Cash in hand	-	-	-
1.19	Subscription money against investment in IPO / offer for sale (asset). (No haircut may be applied in respect of amount paid as subscription money provided that shares have not bell alloted or are not included in the investments of securities broker).	-	-	-
1.20	**Total Assets**	**167,215,214**		**95,666,564**
2. Liabilities				
2.1	**Trade Payables**			
	i. Payable to exchanges and clearing house	34,694	-	34,694
	ii. Payable against leveraged market products		-	-
	iii. Payable to customers	8,409,518	-	8,409,518
2.2	**Current Liabilities**			
	i. Statutory and regulatory dues	166,045	-	166,045
	ii. Accruals and other payables	605,853	-	605,853
	iii. Short-term borrowings		-	-
	iv. Current portion of subordinated loans		-	-
	v. Current portion of long term liabilities		-	-
	vi. Deferred Liabilities		-	-
	vii. Provision for taxation		-	-
	Viii. Other liabilities as per accounting principles and included in the financial statements	58,900,000	-	58,900,000
2.3	**Non-Current Liabilities**			
	i. Long-Term financing		-	-
	ii. Staff retirement benefits			
	iii. Other liabilities as per accounting principles and included in the financial statements		-	-
	1. 100% haircut may be allowed against long term portion of financing obtained from a financial institution including amount due against finance leases. 2. Nil in all other cases.			

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
2. Liabilities				
	Subordinated Loans	-	-	-
2.4	100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted:			
2.5	Advance against shares for increase in capital of securities broker.	-	-	-
	100% haircut may be allowed in respect of advance against shares if: a) The existing authorized share capital allows the proposed enhanced share capital b) BOD has approved the increase in capital c) Relevant Regulatory approvals have been obtained d) There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e) Auditor is satisfied that such advance is against the increase of capital.			
2.6	**Total Liabilites**	68,116,110		68,116,110
3. Ranking Liabilities Relating to :				
	Concentration in Margin Financing			
3.1	The amount calculated client-to- client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-		-
	Concentration in securites lending and borrowing			
3.2	The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (Ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-
	Net underwriting Commitments			
3.3	**(a) in the case of right issuse :** if the market value of securites is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issuse where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting commitment	-	-	-
	(b) in any other case : 12.5% of the net underwriting commitments	-	-	-
	Negative equity of subsidiary			
3.4	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
	Foreign exchange agreements and foreign currency positions			
3.5	5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
	Repo adjustment			
3.7	**In the case of financier/purchaser** the total amount receivable under Repo less the 110% of the market value of underlying securites. **In the case of financee/seller** the market value of underlying securities after applying haircut less the total amount received ,less value of any securites deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-		
	Concentrated proprietary positions			
3.8	If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position,then 10% of the value of such security	-	-	2,122,744

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
3. Ranking Liabilities Relating to :				
	Opening Positions in futures and options			
3.9	i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/ pledged with securities exchange after applying VaR haircuts		-	-
	ii. In case of proprietary positions , the total margin requirements in respect of open positions to the extent not already met		-	-
	Short sell positions			
3.10	i. Incase of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts	-	-	-
	ii. Incase of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.	-	-	-
3.11	Total Ranking Liabilities	-	-	3,122,744
		99,099,104	Liquid Capital	25,477,710

24 NUMBER OF EMPLOYEES

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

	2021	2020
	---------- Number ----------	
Total number of employees as at	5	5
Average number of employees during the year	5	5

25 GENERAL

25.1 Figures have been rounded off to the nearest rupee.

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

25.3 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 27 SEP 2021.

CHIEF EXECUTIVE

DIRECTOR