

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF NINI SECURITIES (PRIVATE) LIMITED  
ON THE AUDIT OF THE FINANCIAL STATEMENTS**

***Opinion***

We have audited the annexed financial statements of **Nini Securities (Private) Limited** which comprise the statement of financial position as at June 30, 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and 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, 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 forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021, and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (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 Auditors' Report Thereon***

Management is responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements and our auditors' 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.

# REANDA

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 (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.

## ***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.



# REANDA

- 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 is deductible at source under the Zakat and Ushr Ordinance, 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 Iqbal**.

*RH ZaReanda Haroon Zakaria & Co*  
**Reanda Haroon Zakaria & Company**  
**Chartered Accountants**

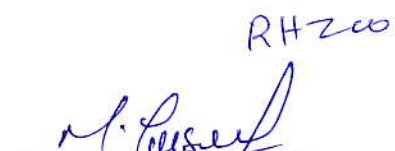
**Place:** Karachi  
**Dated:** October 01, 2021

**NINI SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2021**

	Note	2021 Rupees	2020 Rupees
<b><u>ASSETS</u></b>			
<b>Non-Current Assets</b>			
Property and equipment	4	11,178,052	7,215,189
Intangible assets	5	3,035,247	3,094,719
Long term deposits	6	300,000	300,000
Deferred taxation	7	-	-
		<b>14,513,299</b>	<b>10,609,908</b>
<b>Current Assets</b>			
Trade debts	8	6,688,903	9,109,483
Short term deposits	9	25,000	6,725,000
Loans, advances and prepayments	10	1,312,091	1,079,000
Short term investments	11	75,308,694	34,043,895
Tax refunds due from Government	12	-	239,421
Bank balances	13	36,461,407	41,233,863
		<b>119,796,095</b>	<b>92,430,662</b>
<b>Total Assets</b>		<b>134,309,394</b>	<b>103,040,570</b>
<b><u>CAPITAL &amp; LIABILITIES</u></b>			
<b>Share Capital and Reserves</b>			
<b>Authorized Capital</b>			
10,000,000 Ordinary shares of Rs. 10 each		<b>100,000,000</b>	<b>100,000,000</b>
Issued, subscribed and paid-up capital	14	<b>100,000,000</b>	<b>100,000,000</b>
Unappropriated profit / (accumulated losses)		<b>23,022,005</b>	<b>(5,298,391)</b>
<b>Shareholders' equity</b>		<b>123,022,005</b>	<b>94,701,609</b>
<b>Current Liabilities</b>			
Trade and other payables	15	10,594,012	8,338,961
Income tax payable	16	693,377	-
		<b>11,287,389</b>	<b>8,338,961</b>
<b>Contingencies &amp; Commitments</b>			
<b>Total Equity and Liabilities</b>	17	<b>134,309,394</b>	<b>103,040,570</b>

The annexed notes from 1 to 29 form an integral part of these financial statements.

  
**Chief Executive**

  
**Director**

**NINI SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<i>Note</i>	<i>2021 Rupees</i>	<i>2020 Rupees</i>
Operating revenue	18	7,655,425	3,186,571
Operating and administrative expenses	19	(8,404,491)	(6,700,548)
<b>Operating loss</b>		<b>(749,066)</b>	<b>(3,513,977)</b>
Other income	20	33,836,731	2,211,007
Other expenses	21	(2,018,687)	(6,678,456)
<b>Profit / (loss) before taxation</b>		<b>31,068,978</b>	<b>(7,981,426)</b>
Taxation - net	22	(2,748,582)	(242,183)
<b>Profit / (loss) after taxation</b>		<b>28,320,396</b>	<b>(8,223,609)</b>
Other comprehensive income		-	-
<b>Total comprehensive income / (loss)</b>		<b>28,320,396</b>	<b>(8,223,609)</b>

The annexed notes from 1 to 29 form an integral part of these financial statements.

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**Chief Executive**

  
**Director**



**NINI SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<i>Share capital</i>	<i>Unappropriated profit / (Accumulated losses)</i>	<i>Total Shareholders' Equity</i>
	----- (Rupees) -----		
<b>Balance as at June 30, 2019</b>	100,000,000	2,925,218	102,925,218
Total comprehensive loss for the year	-	(8,223,609)	(8,223,609)
<b>Balance as at June 30, 2020</b>	<b>100,000,000</b>	<b>(5,298,391)</b>	<b>94,701,609</b>
Total comprehensive income for the year	-	28,320,396	28,320,396
<b>Balance as at June 30, 2021</b>	<b>100,000,000</b>	<b>23,022,005</b>	<b>123,022,005</b>

The annexed notes from 1 to 29 form an integral part of these financial statements.

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 Chief Executive

  
 Director

**NINI SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021 Rupees	2020 Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit / (loss) before taxation		31,068,978	(7,981,426)
Adjustment for:			
Depreciation	19	1,362,137	820,881
Amortization	19	59,472	50,802
Capital gain on disposal of investments	20	(12,767,166)	(1,303,695)
Remeasurement (gain) / loss on investments	20 & 21	(18,197,422)	6,047,788
Loss on disposal of operating fixed assets	21	-	105,297
Cash generated from / (used in) operating activities before working capital changes		1,525,999	(2,260,353)
Working capital changes			
(Increase) / decrease in current assets			
Trade debts		2,420,580	(3,451,710)
Short term deposits		6,700,000	(4,700,000)
Loans, advances and prepayments		(233,091)	(697,000)
Sales tax refundable		7,440	(6,180)
Increase in current liabilities			
Trade and other payables		2,255,051	5,728,874
		11,149,980	(3,126,016)
Cash generated from / (used in) operations		12,675,979	(5,386,369)
Income taxes paid	16	(1,823,224)	(120,614)
Net cash generated from / (used in) operating activities		10,852,755	(5,506,983)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Short term investments made - net		(10,300,211)	(14,370,154)
Proceeds from disposal of fixed assets		-	4,128,000
Capital expenditure incurred	4.1 & 5.2	(5,325,000)	(3,223,150)
Net cash used in investing activities		(15,625,211)	(13,465,304)
Net decrease in cash and cash equivalents (A+B)		(4,772,456)	(18,972,287)
Cash and cash equivalents at the beginning of the year	13	41,233,863	60,206,150
Cash and cash equivalents at the end of the year	13	36,461,407	41,233,863

The annexed notes from 1 to 29 form an integral part of these financial statements.

  
Chief Executive

  
Director

**NINI SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIALS STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**1 THE COMPANY AND GENERAL INFORMATION**

Nini Securities (Private) Limited (the Company) was incorporated under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) as on June 01, 2006. The Company is a Trading Right Entitlement Certificate (TREC) holder of the Pakistan Stock Exchange Limited (PSX). The principal objects of the Company include shares brokerage, money market transactions, consultancy services and underwriting. The registered office of the Company is situated at 707, 7th Floor, PSX Building, Stock Exchange Road, Karachi.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. 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 (the Act) and provisions of and directives issued under the Act. Where provisions of or directives issued under the Act differ from the IFRS Standards, the provisions of or directives issued under the Act have been followed.

Company falls under the category of medium size company, in accordance with the Third Schedule to the Act, however, the management has applied IFRS standards voluntarily for the fair and consistent presentation.

Preparation of financial statements also include disclosure required by Securities Brokers (Licensing and Operations) Regulations, 2016.

Further, disclosures of net capital balance (note no. 26) and liquid capital (note no. 27) are prepared to meet the specific requirements of the Securities and Exchange Commission of Pakistan (SECP), in accordance with the guidelines given under the Second and Third Schedule to the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations), read with clarifications and guidelines issued by the SECP from time to time.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention except stated otherwise. Further, accrual basis of accounting is followed except for cash flow information.

**2.3 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pak Rupees, which is also the functional currency of the Company.



## 2.4 Critical accounting estimates and judgments

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

The areas where assumptions and estimates are significant to the Company's financial statements or where judgment is exercised in application of accounting policies are as follows:

- Review of useful life and residual value of property and equipment (note 3.1 and 4);
- Intangible assets (note 3.2 and 5);
- Assumption and estimates used in the provision for ECL on trade debts and other receivables (note 3.4 and 8);
- Assumption and estimates used in the provision for doubtful loans and advances (note 3.6 and 10);
- Revenue recognition (note 3.12 and 18); and
- Provision for taxation including deferred taxation (note 3.10, 7, 16 and 22).

## 2.5 New standards, amendments to standards and IFRS interpretations that are effective for the year ended June 30, 2021

The following amendments to accounting standards are effective for the year ended June 30, 2021 except as explained otherwise, these standards and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

	<i>Effective for period beginning on or after</i>
Amendments to IFRS 3 'Business Combinations': Amendments to clarify the definition of a business	January 1, 2020
Amendments to IFRS 16 'Leases': Amendment to provide lessees with an exemption from assessing whether a COVID-19- related rent concession is a lease modification	June 1, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': Amendments regarding the definition of material	January 1, 2020
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	January 1, 2020

Certain annual improvements have also been made to a number of standards, which have not been enumerated here for brevity.

## 2.6 Amendments to standards and IFRS interpretations that are not yet effective

The following amendments to accounting standards and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

	<i>Effective from accounting period beginning on or after</i>
Amendments to IFRS 4 'Insurance Contracts': Amendments regarding the expiry date of the deferral approach	January 1, 2023
Amendments to IFRS 4 'Insurance Contracts', IFRS 7 'Financial Instruments: Disclosures', IFRS 9 'Financial Instruments', IFRS 16 'Leases', IAS 39 'Financial Instruments: Recognition and Measurement': Amendments regarding replacement issues in the context of the IBOR reform	January 1, 2021
Amendments to IFRS 16 'Leases': Amendment to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification	April 1, 2021
Amendments to IAS 1 'Presentation of Financial Statements': Amendments regarding the classification of liabilities and disclosure of accounting policies	January 1, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': Amendments regarding the definition of accounting estimates	January 1, 2023
Amendments to IAS 16 'Property, Plant and Equipment': Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	January 1, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets': Amendments regarding the costs to include when assessing whether a contract is onerous	January 1, 2022

Certain annual improvements have also been made to a number of standards, which have not been enumerated here for brevity.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1 - First Time Adoption of International Financial Reporting Standards  
IFRS 17 - Insurance Contracts



## ***SIGNIFICANT ACCOUNTING POLICIES***

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### ***3.1 Property and equipment***

These are initially stated at cost. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and impairment losses, if any. Depreciation on fixed assets is charged to income by applying the reducing balance method at the rates specified in the relevant note.

Depreciation is charged from the month in which the assets are available for use while no depreciation is charge in the month of deletion.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to profit or loss during the financial year in which they are incurred.

Assets are derecognized when disposed off or when no future economic benefits are expected from its use or disposal and significant risks and rewards incidental to ownership have been transferred. Gains or losses on disposal of assets, if any, are recognized in the profit or loss, as and when incurred.

The carrying values of tangible fixed assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

### ***3.2 Intangible assets***

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

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

This was initially measured at the apportioned value of the carrying value, at that time, of the surrendered card, which was apportioned between the TREC and the shares of PSX issued to the Company. It is not amortized due to the fact that it has an indefinite useful life which can not be ascertained as it is unknown that how long the Company will hold the TREC. Subsequent to its initial recognition, it is measured at cost less impairment loss, if any. Impairment test is done to assess whether the carrying value is in excess of its recoverable amount, and where the carrying amount exceeds the estimated recoverable amount, the carrying amount is written down to its estimated recoverable amount.

#### ***Computer software***

These are stated at cost less accumulated amortization and impairment loss, if any. Amortization is charged over the useful life of the asset on a systematic basis to income, applying the reducing balance method, at the rate specified in the relevant note.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to profit or loss during the financial year in which they are incurred.

Amortization is charged from the month in which the software is available for use while no amortization is charged in the month of disposal.

Intangible assets are assessed for impairment whenever there is an indication that the same are impaired. Costs associated with maintaining assets are recognized as an expense in the period in which these are incurred. Gains or losses on disposal, if any, of assets are included in income currently.

### **3.3 Financial assets and liabilities**

#### **3.3.1 Initial Recognition**

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received plus or minus transaction costs (except financial asset at FVTPL where transaction costs are charged to profit or loss). These are subsequently measured at fair value or amortized cost as the case may be.

#### **3.3.2 Classification of financial assets**

*The Company classifies its financial instruments in the following categories:*

- at amortized cost.
- at fair value through other comprehensive income ("FVTOCI"), or
- at fair value through profit or loss ("FVTPL"),

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

##### ***Financial assets at amortized cost***

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### ***Financial assets at fair value through OCI***

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

However, the Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income provided that the investment is neither held for trading nor its a contingent consideration in a business combination.

##### ***Financial assets at fair value through P&L***

A financial asset is measured at fair value through P&L unless it is measured at amortized or at fair value through OCI.

#### **3.3.3 Financial liabilities**

*The Company classifies its financial liabilities in the following categories:*

- at fair value through profit or loss ("FVTPL"), or
- at amortized cost.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.



### **3.3.4 Subsequent measurement**

#### ***Financial assets at FVTOCI***

These are measured at fair value, with gains or losses arising from changes in fair value recognized in OCI.

#### ***Financial assets and liabilities at amortized cost***

Financial assets and liabilities at amortized cost are subsequently carried at amortized cost, and in the case of financial assets, less any impairment.

#### ***Financial assets and liabilities at FVTPL***

Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income / (loss). Currently, there are no financial liabilities designated at FVTPL.

### **3.3.5 Impairment of financial assets at amortized cost**

The Company recognizes a loss allowance for expected credit losses (ECLs) on financial assets that are measured at amortized cost. Loss allowances are measured on the basis of life time (ECLs) that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL is only recognized if the credit risk at the reporting date has increased significantly relative to the credit risk at initial recognition. Further, the Company considers the impact of forward looking information (such Company's internal factors and economic environment of the country of customers) on ECLs. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity and the cash flows that the Company expects to receive).

Provision against financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

### **3.3.6 Derecognition**

#### ***Financial assets***

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognized in profit or loss.

In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to revenue reserve.

#### ***Financial liabilities***

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of profit or loss and other comprehensive income.

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

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

#### **3.4 Trade receivables**

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost but since the balances are considered to be recoverable within the next financial year, therefore, receivables recognized initially are considered to be their amortized cost. Provision is made on the basis of lifetime ECLs that result from all possible default events over the expected life of the receivables. Bad debts are written off when considered irrecoverable.

#### **3.5 Fiduciary assets**

Assets held in trust or in a fiduciary capacity by the Company are not treated as assets of the Company and accordingly are not included in these financial statements.

#### **3.6 Loans and advances**

These are carried initially at fair value to be received or settled and subsequently measured at amortized cost. Provision is made against balances considered doubtful. Balances considered irrecoverable / unadjustable are written off.

#### **3.7 Deposits and prepayments**

Deposits are carried at nominal amounts which is considered to be their amortized cost. Prepayments are recorded at the nominal amounts which is the value to be adjusted in future.

#### **3.8 Cash and cash equivalents**

It comprises of cash in hand and cash at bank which are carried at nominal amounts which is considered their amortized cost. For the purpose of cash flow statements, cash and cash equivalents include balances with banks in current accounts.

#### **3.9 Trade and other payables**

Liabilities for creditors and other amounts payable are initially recognized at fair value which is the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Company. These are subsequently measure at amortized cost. Trade payables in respect of securities sold by the clients are recorded at the settlement date of transactions. Liabilities no longer payable are written back and recognized as income in the profit or loss.

#### **3.10 Taxation**

Income tax expense comprises current year, prior year and deferred tax. Income tax expense is recognized in the profit or loss account, except to the extent that it relates to the items recognized directly in other comprehensive income or in equity, in which case it is recognized there.

##### **Current**

Provision for taxation is based on current year taxable income determined in accordance with the provisions of Income Tax Ordinance, 2001, enactive on the reporting date and only adjustment to tax payable in respect of previous year.



### ***Deferred***

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses and tax credits, if any, to the extent that it is probable that taxable profit for the foreseeable future will be available against which such temporary differences and tax losses and tax credits can be utilized.

### **3.11 Provisions**

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

### **3.12 Revenue recognition**

#### ***Revenue from brokerage services***

Commission income is recognized at amounts that reflect the consideration that the Company expects to be entitled to, in exchange for providing services to its clients. Revenue is measured at the fair value of the consideration received or receivable, and is recognized on the following basis:

Commission income is measured based on the consideration specified in a contract with a customer and is recognized when providing services to a customer at a point in time when the performance obligations are met. The transaction price of Company's contracts with customers for transferring the services does not include any variable consideration, any significant financing component, any non cash consideration or any consideration payable to its customers.

#### ***Other revenue***

- Gain on sale of property and equipment is recorded when title is transferred in favour of the transferee.
- Dividend income is recognized when the right to receive the same is established.
- Unrealized gain arising on revaluation of securities, as on the reporting date, classified as 'financial assets carried at fair value through profit or loss' are included in profit or loss in the period in which they arise.
- Mark-up income is recorded on accrual basis.
- Gain arising on disposal of investments are included in income currently and are recognized on the date when the transaction takes place.
- Other income is recognized on occurrence of transactions when the performance obligations are met.

## PROPERTY AND EQUIPMENT

### 4.1 Operating fixed assets

Particulars	Owned Assets				Total
	Office premises - lease hold	Office equipment	Computer and accessories	Vehicle	
	----- Rupees -----				
<b>Year ended June 30, 2021</b>					
Opening net book value	6,983,373	87,781	144,035	-	7,215,189
Additions during the year	-	-	-	5,325,000	5,325,000
Depreciation charge for the year	(349,169)	(8,778)	(43,211)	(960,980)	(1,362,137)
<b>Closing net book value as on June 30, 2021</b>	<b>6,634,204</b>	<b>79,003</b>	<b>100,825</b>	<b>4,364,020</b>	<b>11,178,052</b>
<b>As at June 30, 2021</b>					
Cost	10,000,000	105,150	546,541	5,325,000	15,976,691
Accumulated depreciation	(3,365,796)	(26,147)	(445,717)	(960,980)	(4,798,639)
<b>Closing net book value as on June 30, 2021</b>	<b>6,634,204</b>	<b>79,003</b>	<b>100,825</b>	<b>4,364,020</b>	<b>11,178,052</b>
<b>Year ended June 30, 2020</b>					
Opening net book value	7,350,919	16,934	205,764	1,622,600	9,196,217
Additions during the year	-	73,150	-	3,000,000	3,073,150
Disposals during the year	-	-	-	(4,233,297)	(4,233,297)
Depreciation charge for the year	(367,546)	(2,303)	(61,729)	(389,303)	(820,881)
<b>Closing net book value as on June 30, 2020</b>	<b>6,983,373</b>	<b>87,781</b>	<b>144,035</b>	<b>-</b>	<b>7,215,189</b>
<b>As at June 30, 2020</b>					
Cost	10,000,000	105,150	546,541	-	10,651,691
Accumulated depreciation	(3,016,627)	(17,369)	(402,506)	-	(3,436,502)
<b>Closing net book value as on June 30, 2020</b>	<b>6,983,373</b>	<b>87,781</b>	<b>144,035</b>	<b>-</b>	<b>7,215,189</b>
<b>Rate of depreciation</b>	<b>5%</b>	<b>10%</b>	<b>30%</b>	<b>20%</b>	



## 5 INTANGIBLE ASSETS

	Note	2021 Rupees	2020 Rupees
Trading Right Entitlement Certificate (TREC)	5.1	2,500,000	2,500,000
Computer Software	5.2	535,247	594,719
		<u>3,035,247</u>	<u>3,094,719</u>

- 5.1 TREC has been valued at Rs. 2.5 million as on the reporting date, based on the offer for issuance of TREC issued by the PSX via notice PSX / N-225 dated February 16, 2021, indicating the fee for TREC to be Rs. 2.5 million.

Previously, TREC was valued at Rs. 2.5 million as on June 30, 2020, based on the offer for issuance of TREC issued by the PSX via notice PSX / N-882 dated August 3, 2020, indicating the minimum bid price for TREC to be Rs. 2.5 million.

5.2 Computer	Note	2021 Rupees	2020 Rupees
Opening net book value		594,719	495,521
Purchased during the year		-	150,000
Amortization charge		(59,472)	(50,802)
Closing net book value		<u>535,247</u>	<u>594,719</u>
<i>As at June 30,</i>			
Cost		884,840	884,840
Accumulated amortization		<u>(349,593)</u>	<u>(290,121)</u>
		<u>535,247</u>	<u>594,719</u>
<i>Rate of amortization</i>		<u>10%</u>	<u>10%</u>

## 6 LONG TERM DEPOSITS

### With

National Clearing Company Pakistan Limited	200,000	200,000
Central Depository Company Pakistan Limited	100,000	100,000
	<u>300,000</u>	<u>300,000</u>

## 7 DEFERRED TAXATION

Deferred tax liability comprises of the following: -

### Taxable temporary differences

Accelerated amortization for tax purposes	21,606	21,077
Accelerated depreciation for tax purposes	184,215	223,283
Investments at fair value through profit or loss	69,139	-
	<u>274,960</u>	<u>244,360</u>

### Deductible temporary differences

Investments at fair value through profit or loss	-	(238,384)
Minimum tax credit	(162,630)	(47,799)
Alternative corporate tax credit	(975,784)	-
Unused tax losses	(5,608,631)	(5,150,426)
	<u>(6,747,045)</u>	<u>(5,436,609)</u>
Deferred tax asset	(6,472,085)	(5,192,249)
Deferred tax asset not recognized	7.1	<u>6,472,085</u>
		<u>-</u>

7.1 Deferred tax asset as on the reporting date has not been recognized on the net deductible differences as it is not probable that sufficient taxable profits in the foreseeable future will be available against which such benefits can be utilized.

7.2 Breakup of unused tax losses and tax credits is as follows:

<i>Business losses</i>	<i>Expiry Dates</i>	<i>Rupees</i>
Tax year 2019	June 30, 2025	8,599,988
Tax year 2020	June 30, 2026	8,799,860
<i>Unabsorbed tax depreciation</i>	Indefinite	1,940,259
<i>Minimum tax</i>		
Tax Year 2020	June 30, 2025	47,799
Tax Year 2021	June 30, 2026	114,831
<i>Alternative corporate tax</i>		
Tax Year 2021	June 30, 2031	975,784
	<i>2021</i>	<i>2020</i>
	<i>Rupees</i>	<i>Rupees</i>

8 TRADE DEBTS

Considered good	<u>6,688,903</u>	<u>9,109,483</u>
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8.1 The Company has no established credit terms with its clients and the balances are recoverable on demand. While the receivables from related parties as on the reporting date, amounting to Rs. 2.920 million, are overdue since 30 days.

8.1.1 Receivable from related parties as on the reporting date and maximum aggregate balance at any month-end are as follows:

	<i>Balance As on June 30, 2021</i>	<i>Maximum Aggregate Balance</i>
Mr. Yousuf - Director	<u>744,884</u>	<u>1,284,244</u>
Mr. Muhammad Yaseen - Key Management Personnel	<u>2,174,770</u>	<u>5,299,300</u>
Ms. Afsha Faisal - Close Family Member	<u>-</u>	<u>5,647</u>
Ms. Farzana - Close Family Member	<u>-</u>	<u>86,728</u>

9 SHORT TERM DEPOSITS

*Against*

	<i>2021</i>	<i>2020</i>
Ready exposure margin	<u>25,000</u>	<u>25,000</u>
Base Minimum Capital requirement	<u>-</u>	<u>6,700,000</u>
	<u>25,000</u>	<u>6,725,000</u>

Note

9.1 During the year, the deposit against BMC was released by the PSX and as an alternative, the Company pledged its investment in securities, to meet the requirement as prescribed under the Rule Book of PSX.



<b>LOANS, ADVANCES AND PREPAYMENTS</b>	<b>Note</b>	<b>2021 Rupees</b>	<b>2020 Rupees</b>
<i>Considered good</i>			
<i>Loans</i>			
- to employees - unsecured	10.1	1,007,800	1,079,000
<i>Advances</i>			
- to suppliers		100,000	-
- against IPO	10.2	160,000	-
		260,000	-
<i>Prepayments</i>		44,291	-
		<u>1,312,091</u>	<u>1,079,000</u>

10.1 The loans are unsecured, interest free and recoverable on demand by way deduction from salaries.

This includes Rs. 822,650 (2020: Rs. 935,000) given to Mr. Muhammad Yaseen Yaqoob (Key Management Personnel - related party). Maximum aggregate amount outstanding at any time during the year with respect to month end balances amounts to Rs. 930,000 (2020: Rs. 1,050,000).

10.2 This represent advance for Initial Public Offering against which shares were subscribed and allotted to the Company subsequent to year end.

<b>11 SHORT TERM INVESTMENTS</b>	<b>Note</b>	<b>2021 Rupees</b>	<b>2020 Rupees</b>
<i>- At fair value through profit or loss</i>			
<i>In ordinary shares of listed companies</i>			
Carrying value		57,111,272	40,091,683
Unrealized gain / (loss) on remeasurement of investments - net	20	18,197,422	(6,047,788)
	11.1	<u>75,308,694</u>	<u>34,043,895</u>

11.1 This includes securities having market value amounting to Rs. 28.845 million, as on the reporting date, which have been pledged with the PSX, against base minimum capital requirement.

<b>12 TAX REFUNDS DUE FROM GOVERNMENT</b>	<b>2021 Rupees</b>	<b>2020 Rupees</b>
<i>Against</i>		
Sales tax	-	7,440
Income tax	-	231,981
	<u>-</u>	<u>239,421</u>

<b>13 BANK BALANCES</b>		
<i>- Owned balance</i>		
in current accounts	27,824,116	33,133,798
<i>- Client balances</i>		
in current accounts	8,637,291	8,100,065
	<u>36,461,407</u>	<u>41,233,863</u>

# ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2021	2020		2021	2020
Number of Shares			Rupees	Rupees
<u>10,000,000</u>	<u>10,000,000</u>	Ordinary shares of Rs. 10 each fully paid in cash	<u>100,000,000</u>	<u>100,000,000</u>

## 14.1 Pattern Of Shareholding:

S. No.	Names	No. of shares	Percentage
1	Yousuf (Director)	100	0.001%
2	Muhammad Yakoob (Chief Executive)	9,999,900	99.999%
		<u>10,000,000</u>	<u>100%</u>

14.2 No change in shareholding is made during the year.

14.3 The share holders are entitled to receive all distribution to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the company. All the shares carry "one vote" per share without any restriction.

15 TRADE AND OTHER PAYABLES	Note	2021 Rupees	2020 Rupees
Trade payable		8,637,269	8,033,368
Accrued liabilities		1,851,345	262,786
Withholding income tax payable		1,815	42,807
Sales tax payable		103,583	-
		<u>10,594,012</u>	<u>8,338,961</u>

15.1 This includes Rs. 4,041 (2020: Rs. 151) payable to close family members - related parties.

## 16 INCOME TAX PAYABLE

Refundable as on July 01,		(231,981)	(353,550)
Taxes paid during the year		(1,823,224)	(120,614)
Prior year tax	22	(116,246)	1,934
Provision for the current year	22	2,864,828	240,249
Payable / (refundable) as on June 30,		<u>693,377</u>	<u>(231,981)</u>

## 17 CONTINGENCIES & COMMITMENTS

### 17.1 Contingencies

There are no contingencies as at the reporting date.

### 17.2 Commitments

17.2.1 Commitments against unrecorded transactions executed before the year end having settlement date subsequent to year end are as follows:

	2021 Rupees	2020 Rupees
For purchase of shares	<u>16,082,479</u>	<u>4,780,054</u>
For sale of shares	<u>10,503,147</u>	<u>2,751,290</u>



**18 OPERATING REVENUE**

	Note	2021 Rupees	2020 Rupees
Commission income - gross		8,741,885	3,608,985
Less: Sindh sales tax on services		(1,005,706)	(415,283)
		<u>7,736,179</u>	<u>3,193,702</u>
Less: Commission paid to agents		(80,754)	(7,131)
	18.1	<u>7,655,425</u>	<u>3,186,571</u>

18.1 Includes brokerage income amounting to Rs. 7,686 (2020: Rs. nil) earned from an institutional client. Remaining brokerage income earned from retail customers.

**19 OPERATING AND ADMINISTRATIVE EXPENSES**

	Note	2021 Rupees	2020 Rupees
Salaries and other benefits		3,240,000	2,784,000
Directors' remuneration	24.1	1,180,000	1,206,850
PSX charges		457,330	120,907
CDC charges		174,734	85,816
NCCPL charges		201,099	128,140
Printing and stationary		80,722	81,716
Communication		127,418	121,781
Utilities		340,220	264,775
Office maintenance		101,350	67,250
Software maintenance		433,753	376,213
Conveyance expense		124,600	94,420
Depreciation	4.1	1,362,137	820,881
Amortization	5.2	59,472	50,802
Entertainment		183,750	72,206
Bank charges		-	1,356
Fees and subscription		337,906	423,435
		<u>8,404,491</u>	<u>6,700,548</u>

**20 OTHER INCOME****- from financial assets**

Capital gain on disposal of investments carried at fair value through profit or loss - net		12,767,166	1,303,695
Remeasurement gain on investments carried at fair value through profit or loss - net	11	18,197,422	-
Dividend income		1,959,918	520,890
Mark-up income on PSX deposit		287,832	386,422
		<u>33,212,338</u>	<u>2,211,007</u>

**- from other than financial assets**

Commission on book building and IPO		30,635	-
Miscellaneous income		593,758	-
		<u>624,393</u>	<u>-</u>
		<u>33,836,731</u>	<u>2,211,007</u>

**OTHER EXPENSES**

	Note	2021 Rupees	2020 Rupees
Auditor's remuneration	21.1	301,000	280,000
Remeasurement loss on investments carried at fair value through profit or loss	11	-	6,047,788
Donation	21.2	1,655,000	100,000
Penalty		-	100,000
Loss on disposal of operating fixed assets		-	105,297
Miscellaneous expenses		62,687	45,371
		<u>2,018,687</u>	<u>6,678,456</u>

**21.1 Auditor's remuneration**

- Statutory audit	175,000	165,000
- Out of pocket	10,000	10,000
- Other assurance services	116,000	105,000
	<u>301,000</u>	<u>280,000</u>

21.2 None of the directors or their spouses have any interest in donees fund.

**22 TAXATION - NET**

Current	2,864,828	240,249
Prior	(116,246)	1,934
	<u>2,748,582</u>	<u>242,183</u>

22.1 Returns for the tax year up to 2020 have been filed, which are deemed to be assessment order under provisions of the Income Tax Ordinance, 2001, however the CIT has power to re-assess any of the five preceding tax years.

22.2 Reconciliation between current tax expense and accounting profit for the year ended June 30, 2021 and June 30, 2020 has not been made as the relationship between these could not be developed due to Alternative Corporate Tax (2020: Minimum Tax), being arising under section 113 of the Income Tax Ordinance, 2001.

**23 FINANCIAL RISK MANAGEMENT  
OBJECTIVES AND POLICIES****23.1 Financial Instrument by Category****Financial Assets****- Fair value through profit or loss**

Short term investments	11	75,308,694	34,043,895
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**- At amortized cost**

Long term deposits	6	300,000	300,000
Trade debts	8	6,688,903	9,109,483
Short term deposits	9	25,000	6,725,000
Loans	10	1,007,800	1,079,000
Bank balances	13	36,461,407	41,233,863
		<u>44,483,110</u>	<u>58,447,346</u>
		<u>119,791,804</u>	<u>92,491,241</u>

**Financial Liabilities****- At amortized cost**

Trade and other payables	15	10,488,614	8,296,154
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## 23.2 Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (interest rate risk and price risk) and credit risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risks without any material change from previous period in the manner described in the notes below.

The Company has exposures to the following risks from its use of financial instruments: -

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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

### 23.2.1 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. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfil their obligations. There is a possibility of default by participants and of failure of the financial markets, the depositories, the settlements or clearing system etc.

#### *Exposure to credit risk*

Credit risk of the Company arises principally out of receivables from customers, advances and deposits. 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 worth and proper margin 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 carrying amounts of financial assets represent the maximum credit exposure, as specified below:

	2021 Rupees	2020 Rupees
Long term deposits	300,000	300,000
Trade debts	6,688,903	9,109,483
Short term deposits	25,000	6,725,000
Loans	1,007,800	1,079,000
Bank balances	36,461,407	41,233,863
	<u>44,483,110</u>	<u>58,447,346</u>

#### *Ageing of debtors and impairment losses*

*The ageing of trade debtors at financial position date was:-*

Past due 1-5 days	2,544,804	366,302
Past due more than 5 days	4,144,098	8,743,181
	<u>6,688,903</u>	<u>9,109,483</u>
Securities available for overdue receivables of more than 5 days after applying VAR based haircut	<u>12,305,995</u>	<u>8,035,043</u>

Based on the consideration of financial position and subsequent recovery / adjustment through trade debts, the Company considers the amount to be fully recoverable and therefore, no provision for ECL is made in these financial statements.

### **Credit Rating of Company's Banks**

The credit quality of the Company's bank balances can be assessed with reference to external credit rating as follows: -

<i>Name of banks</i>	<i>Rating Agency</i>	<i>Credit rating</i>	
		<i>Short term</i>	<i>Long term</i>
JS Bank Limited	PACRA	A1+	AA-
Bank Al - Habib Limited	PACRA	A1+	AAA

Other financial assets do not require any provision as these comprise of balances recoverable from the regulators and employees and are considered good as there is no history of defaults in the past.

### **23.2.2 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. The Company finances its operations through equity and working capital management with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The following are the contractual maturities of financial liabilities:

	<i>2021</i>			
	<i>Carrying Amount</i>	<i>Contractual cash outflows</i>	<i>Up to Six Months</i>	<i>Up to One Year</i>
	<i>----- Rupees -----</i>			
<b>Financial liabilities</b>				
Trade and other payables	10,488,614	(10,488,614)	(10,488,614)	-
	<i>2020</i>			
	<i>Carrying Amount</i>	<i>Contractual cash outflows</i>	<i>Up to Six Months</i>	<i>Up to One Year</i>
	<i>----- Rupees -----</i>			
<b>Financial liabilities</b>				
Trade and other payables	8,296,154	(8,296,154)	(8,296,154)	-

### **23.2.3 Market risk**

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk comprises of three types of risk: foreign exchange or currency risk, interest rate risk and price risk. As on the reporting date, the Company is only exposed to price risk:



### *Price risk*

Price risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest 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 similar financial instruments traded in the market.

### *Sensitivity analysis*

At reporting date, if the market prices of each security held by the Company as short term investments had increased / decreased by Rupee 1 with all other variables remain constant, total comprehensive income and equity would have been higher / (lower) by the amount shown below. The analysis is performed on same basis for the corresponding period:

<i>Effect on profit or loss</i>	<i>Profit or loss</i>	
	<i>Increase</i>	<i>(Decrease)</i>
<i>As at June 30, 2021</i>	<b>5,007,436</b>	<b>(5,007,436)</b>
<i>As at June 30, 2020</i>	<b>2,514,873</b>	<b>(2,514,873)</b>

#### **23.2.4 Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with processes technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risk is a risk arising from the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. The responsibility encompasses the controls in the following areas:

- i* Requirements for appropriate segregation of duties between various functions, roles and responsibility;
- ii* Requirements for the reconciliation and monitoring of transactions;
- iii* Compliance with regulatory and other legal requirements;
- iv* Documentation of control and procedures;
- v* Requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified;
- vi* Ethical and business standards;
- vii* Risk mitigation, including insurance where this is effective.

#### **23.3 Risk management policies**

Risk management is carried out by the management under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas like market price risk, interest rate risk and investing excessive liquidity.

### 23.4 Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business activities and to sustain future development of the business and maximize shareholders value. The Company closely monitors the return on capital along with the level of distributions to ordinary shareholders. No changes were made in the objectives, policies or processes during the year ended June 30, 2021.

Capital is monitored on the basis of gearing ratio. This is calculated as net debt divided by total capital plus net debt. Net debt is calculated as total borrowings from financial institutions less cash and bank balances.

The Company has not availed any borrowing facility from financial institutions as at reporting date, therefore, the gearing ratio is nil.

### 23.5 Fair Value of Financial Instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at arm's length transaction.

#### *Fair value hierarchy*

In accordance with the requirements of IFRS 13 Fair Value Measurement, the Company classifies its property and investments in terms of following fair value hierarchy:

- Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable).

Details of the Company's investments in terms of fair value hierarchy, explained above, at June 30, 2021 is as follows:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>----- Rupees -----</i>		
<b>Assets measured at fair value</b>			
<b>June 30, 2021</b>			
Trading Right Entitlement Certificate (TREC)	-	2,500,000	-
Short term investments - FVTPL	75,308,694	-	-
	<b>75,308,694</b>	<b>2,500,000</b>	<b>-</b>
<b>June 30, 2020</b>			
Trading Right Entitlement Certificate (TREC)	-	2,500,000	-
Short term investments - FVTPL	34,043,895	-	-
	<b>34,043,895</b>	<b>2,500,000</b>	<b>-</b>



## RELATED PARTY TRANSACTION

Related parties comprise of Directors, Key Management Personnel and close family members of the Directors. Year end balances are disclosed in respective notes to these financial statements. Details of transactions during the year with related parties are as follows:

<i>Transaction with the related party</i>	<i>Relationship</i>	<i>Note</i>	<i>2021 Rupees</i>	<i>2020 Rupees</i>
<b><i>Commission earned from brokerage transactions</i></b>				
Mr. Muhammad Yakoob	Chief Executive Officer		53,336	40,853
Mr. Yousuf	Director		12,972	2,195
Mr. Muhammad Yaseen	Key management personnel and close family member		88,299	40,913
Mrs. Marium Yousuf	Close family member		15	12
Mrs. Afsha Faisal	Close family member		3,427	2,320
Mrs. Farzana	Close family member		40,026	42,002
<b><i>Loan given to</i></b>				
Mr. Muhammad Yaseen	Key management personnel and close family member		285,000	1,050,000
<b><i>Loan recovered from</i></b>				
Mr. Muhammad Yaseen	Key management personnel and close family member		397,350	115,000
<b><i>Remuneration paid to</i></b>				
Mr. Muhammad Yaseen	Key management personnel and close family member		1,590,000	1,235,000

### 24.1 Remuneration paid to Chief Executive and Director

#### *Chief Executive Officer*

Managerial remuneration	720,000	821,850
Bonus	60,000	60,000
	<b>780,000</b>	<b>881,850</b>

#### *Director (One)*

Managerial remuneration	360,000	300,000
Bonus	40,000	25,000
	<b>400,000</b>	<b>325,000</b>

## 25 CAPITAL ADEQUACY LEVEL

Total Assets	25.1	134,309,394	103,040,570
Less: Total Liabilities		(11,287,389)	(8,338,961)
Less: Surplus on revaluation of property		-	-
<b>Capital Adequacy Level</b>	25.1.1	<b>123,022,005</b>	<b>94,701,609</b>

25.1 While determining the value of total assets of the TREC Holder, notional value of the TRE certificate held by the Company, as at the year ended, June 30, 2021, as determined by the PSX, has been considered.

25.1.1 Disclosure has been provided in pursuant of the requirements of 'Limit on Assets Under Custody Regime' read with Regulation 6.8 of CDC regulations.

**COMPUTATION OF NET CAPITAL BALANCE AS AT  
JUNE 30, 2021**

2021  
Rupees

**CURRENT ASSETS**

**Cash and bank balances**

Bank balances pertaining to brokerage house  
Bank balances pertaining to clients

27,824,138  
8,637,269  

---

36,461,407

13 & 26.1

**Margin deposited with PSX**

Against exposure - ready market

9                      25,000

**Investment in listed securities**

Securities on the exposure list marked to market  
Less: 15% discount

26.2                      46,463,406  

(6,969,511)

---

39,493,895

**Trade Receivables**

Book value  
Less: over due for more than 14 days  
Balance generated within 14 days

8                      6,688,903  

(2,698,390)

---

3,990,513

Securities purchased for the client and held by the member  
where payment has not been received in 14 days

2,024,095

**Total Current Assets**

A                      

---

81,994,910

**CURRENT LIABILITIES**

**Trade Payable**

Book values  
Less: over due for more than 30 days

15                      8,637,269  
26.3                      (2,009,548)  

---

6,627,721

Other liabilities

26.3                      4,659,668

**Total Current Liabilities**

B                      

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11,287,389

**NET CAPITAL BALANCE**

A - B                      

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70,707,521

**NOTES TO THE NCB**

**26.1 Bank balances in designated client accounts**

Less: Trade payable

13                      8,637,291  
15                      (8,637,269)  

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22

**Bank balances pertaining to brokerage house**

**26.2 Securities on the exposure list marked to market**

Investment in listed securities  
Less: Shares pledged with PSX against Base Minimum Capital  
**Investment in listed securities considered for NCB**

11                      75,308,694  

---

(28,845,288)  

---

46,463,406

**26.3 Other Liabilities**

Trade liabilities overdue for more than 30 days  
Accrued and other payables  
Income tax payable

2,009,548  
15                      1,956,743  
16                      693,377  

---

4,659,668



**COMPUTATION OF LIQUID CAPITAL AS AT JUNE 30, 2021**

	<b>Head of Account</b>	<b>Value in Pak Rupees</b>	<b>Hair Cut / Adjustments</b>	<b>Net Adjusted Value</b>
<b>1</b>	<b>ASSETS</b>			
1.1	Property & Equipment	11,178,052	100.00%	-
1.2	Intangible Assets	3,035,247	100.00%	-
1.3	Investment in Government 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 up to 1 year.	-	-	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
	<b>If unlisted than:</b>			
	i. 10% of the balance sheet value in the case of tenure up to 1 year.	-	-	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
1.5	<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.	75,308,694	36,764,471	38,544,223
	ii. If unlisted, 100% of carrying value.	-	-	-
1.6	Investment in subsidiaries	-	-	-
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.	-	-	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	300,000	100.00%	-
1.9	Margin deposits with exchange and clearing house.	25,000	-	25,000
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	44,291		44,291
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.	-	-	-
	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	-	-
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>	-	-	-

	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1.15	<b>Advances and receivables other than trade receivables</b>		-	-
	i. Short Term Loan To Employees: No haircut if the loans are secured and due for repayment within 12	1,007,800	100.00%	-
	ii. Income tax refunds due from Government	-	-	-
	iii. Receivables other than trade receivables	100,000	100.00%	-
1.16	<b>Receivables from clearing house or securities exchange(s)</b>			
	100% value of claims other than those on account of entitlements against trading of securities in all markets including MTM gains.	-		-
1.17	<b>Receivables from customers</b>			
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the finance (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. In case receivables are against margin trading, 5% of the net balance sheet value.	-	-	-
	<b>ii. Net amount after deducting haircut</b>			
	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract,	-	-	-
	<b>iii. Net amount after deducting haircut</b>			
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value.	2,321,842	-	2,321,842
	<b>iv. Balance sheet value</b>			
	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.	1,447,407	287,703	1,159,704
	<b>v. Lower of net balance sheet value or value determined through adjustments</b>			
	<b>vi. 100% haircut in the case of amount receivable from related parties.</b>	2,919,654	100.00%	-
1.18	<b>Cash and Bank balances</b>			
	i. Bank balance - proprietary accounts	27,824,116	-	27,824,116
	ii. Bank balance - customer accounts	8,637,291	-	8,637,291
	iii. Cash in hand	-	-	-
1.19	Subscription money against Investment in IPO/offer for Sale: No haircut if shares have not been allotted or are not included in the investments of securities broker.	160,000	-	160,000
1.20	<b>Total Assets</b>	<b>134,309,394</b>		<b>78,716,467</b>



	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	<b>LIABILITIES</b>			
2.1	<b>Trade Payables</b>			
	i. Payable to exchanges and clearing house	-	-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	8,637,269	-	8,637,269
2.2	<b>Current Liabilities</b>			
	i. Statutory and regulatory dues	-	-	-
	ii. Accruals and other payables	1,956,743	-	1,956,743
	iii. Short-term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long term liabilities	-	-	-
	vi. Deferred Liabilities	-	-	-
	vii. Provision for taxation	693,377	-	693,377
	viii. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.3	<b>Non-Current Liabilities</b>			
	<b>i. Long-Term financing</b>	-	-	-
	a. Long-Term financing obtained from financial institution: 100% haircut in case of long term portion of financing obtained from a financial institution including amount due against finance lease			
	<b>ii. Staff retirement benefits</b>	-	-	-
	<b>iii. Other non-current liabilities as per accounting principles and included in the financial statements</b>	-	-	-
2.4	<b>Subordinated Loans</b>			
	<b>i. 100% of Subordinated loans which fulfil the conditions specified by SECP are allowed to be deducted:</b>	-	-	-
	In this regard, following conditions are specified:	-	-	-
	a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period	-	-	-
	b. No haircut will be allowed against short term portion which is repayable within next 12 months.	-	-	-
	c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.	-	-	-
	<b>ii. Subordinated loans which do not fulfil the conditions specified by SECP</b>	-	-	-
2.5	<b>Advance against shares for increase in capital of securities broker</b>	-	-	-
	100% haircut may be allowed in respect of advance against shares if:	-	-	-
	a. The existing authorized share capital allows the proposed enhanced share capital	-	-	-
	b. Board of Directors of the company has approved the increase in capital	-	-	-
	c. Relevant Regulatory approvals have been obtained	-	-	-
	d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed.	-	-	-
	e. Auditor is satisfied that such advance is against the increase of capital.	-	-	-
2.6	<b>Total Liabilities</b>	<b>11,287,389</b>		<b>11,287,389</b>

*Head of Account*

*Value in  
Pak Rupees*

*Hair Cut /  
Adjustments*

*Net Adjusted  
Value*

**RANKING LIABILITIES RELATING TO:**

**Concentration in Margin Financing**

The amount calculated client - to - client basis by which any amount receivable from any of the finances exceed 10% of the aggregate of amounts receivable from total finances.

**3.2 Concentration in securities lending and borrowing**

The amount by which the aggregate of:

(i) Amount deposited by the borrower with NCCPL

(ii) Cash margins paid and

(iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed

**3.3 Net underwriting Commitments**

**(a) in the case of right issue :** if the market value of securities is less than or equal to the subscription price; the aggregate of:

(i) the 50% of Haircut multiplied by the underwriting commitments and

(ii) the value by which the underwriting commitments exceeds the market price of the securities.

In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting commitment

**(b) in any other case :** 12.5% of the net underwriting commitments

**3.4 Negative equity of subsidiary**

The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary

**3.5 Foreign exchange agreements and foreign currency positions**

5% of the net position in foreign currency. Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency

**3.6 Amount Payable under REPO**

**3.7 Repo adjustment**

**In the case of financier/purchaser** the total amount receivable under Repo less the 110% of the market value of underlying securities.

**In the case of financee/seller** the market value of underlying securities after applying haircut less the total amount received ,less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.



	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	<b>Concentrated proprietary positions</b>			
	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	-	1,620,769	1,620,769
3.9	<b>Opening Positions in futures and options</b>			
	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	-	-	-
3.10	<b>Short sell positions</b>			
	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>	-	1,620,769	1,620,769

#### Calculation Summary of Liquid Capital:

1	Adjusted value of assets (serial number 1.20)	78,716,467
2	Less: Adjusted value of liabilities (serial number 2.6)	(11,287,389)
3	Less: Total ranking liabilities (series number 3.11)	(1,620,769)
		<u>65,808,309</u>

**Note:** In point 1.5, for calculating the net adjusted value of the investments in equity securities, the value of investments pledged with the PSX against the base minimum capital requirement has not been considered.

## GENERAL

- 28.1 Total number of employees as on the reporting date and average number of employees during the year were 7 and 7 (2020: 7 and 6) respectively.
- 28.2 As on the reporting date, securities held by the CDC, in the name of sub-account holders (clients) of the Company, amounting to Rs. 185.433 (2020: Rs. 76.64) million, comprising of 5,184,239 (2020: 2,919,383) shares, out of which 130,000 (2020: 160,214) shares are pledged with the NCCPL against margin exposure.
- 28.3 Figures have been rounded off to the nearest Rupee.
- 28.4 Corresponding figure has been reclassified, where ever considered necessary, for better presentation and comparison.

## 29 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue on October 01, 2021, by the Board of Directors of the Company.

  
Chief Executive

RH200  
  
Director