

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

***Opinion***

We have audited the annexed financial statements of **GMI Capital Securities (Private) Limited** which comprise the statement of financial position as at June 30, 2022, and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of 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, 2022 and of the loss, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

***Basis for Opinion***

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

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

Management is responsible for the other information. The Other Information comprises the information included in the Company's Annual Report does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

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



### ***Responsibilities of Management and Board of Directors for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(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 to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

### ***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 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 Company's business; and
- d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).
- e) the Company was in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the financial statements were prepared.

The engagement partner on the audit resulting in this independent auditor's report is **Farhan Ahmed Memon**.



*Farhan Ahmed Memon*  
**Reanda Haroon Zakaria & Company**  
Chartered Accountants

Place: Karachi  
Dated: **05 SEP 2022**

UDIN: AR202210147QMCAq70hO



**GMI CAPITAL SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2022**

	Note	2022 Rupees	2021 Rupees
<b><u>ASSETS</u></b>			
<b>Non-Current Assets</b>			
Property and equipment	5	2,232,496	2,633,848
Investment property	6	8,441,940	9,379,933
Intangible asset	7	2,500,000	2,500,000
Long term deposits	8	5,996,609	4,746,609
Deferred taxation	9	-	-
		<u>19,171,045</u>	<u>19,260,390</u>
<b>Current Assets</b>			
Trade receivables	10	27,548,274	25,958,505
Deposits & other receivables	11	38,699,684	37,039,032
Tax refunds due from government - net	12	8,363,095	2,380,298
Short term investments	13	59,631,874	55,424,136
Cash and bank balances	14	67,289,230	115,704,815
		<u>201,532,157</u>	<u>236,506,786</u>
<b>Total Assets</b>		<u><u>220,703,202</u></u>	<u><u>255,767,176</u></u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Capital and Reserves</b>			
<b>Authorized Share Capital</b>			
1,500,000 (2021: 1,500,000) Ordinary shares of Rs. 100 each		<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid - up capital	15	150,000,000	150,000,000
Reserves		<u>63,695,424</u>	<u>90,910,388</u>
		<u>213,695,424</u>	<u>240,910,388</u>
<b>Current Liabilities</b>			
Trade payables	16	6,156,634	13,032,273
Accrued expenses & other liabilities	17	851,144	1,824,515
		<u>7,007,778</u>	<u>14,856,788</u>
<b>Contingencies and Commitments</b>	18		
<b>Total Equity and Liabilities</b>		<u><u>220,703,202</u></u>	<u><u>255,767,176</u></u>

The annexed notes from 1 to 39 form an integral part of these financial statements

  
**Chief Executive**

  
**Director**



**GMI CAPITAL SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022 Rupees	2021 Rupees
<b>Revenue</b>			
Operating revenue	19	12,067,954	38,861,042
Capital gain on investment at fair value - through profit or loss - realized		844,726	382,401
Unrealized (loss) / gain on remeasurement of investment at fair value - through profit or loss		(24,908,743) (11,996,063)	27,864,915 67,108,358
<b>Expenses</b>			
Administrative expenses	20	(14,664,733)	(27,444,039)
Finance cost	21	(11,646) (14,676,379)	(17,261) (27,461,300)
<b>Operating (loss) / profit</b>		(26,672,442)	39,647,058
Other charges	22	(8,831,545)	(7,286,313)
Other income	23	3,736,148 (31,767,839)	3,050,750 35,411,495
<b>(Loss) / profit before taxation</b>			
Taxation	24	4,552,875	(6,230,048)
<b>(Loss) / profit after taxation</b>		(27,214,964)	29,181,447

The annexed notes from 1 to 39 form an integral part of these financial statements

  
 Chief Executive

  
 Director

**GMI CAPITAL SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<i>2022</i> <i>Rupees</i>	<i>2021</i> <i>Rupees</i>
(Loss) / profit for the year	(27,214,964)	29,181,447
Other comprehensive income	-	-
<b>Total comprehensive (loss) / income for the year</b>	<u><u>(27,214,964)</u></u>	<u><u>29,181,447</u></u>

The annexed notes from 1 to 39 form an integral part of these financial statements

  
\_\_\_\_\_  
*Chief Executive*

  
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*Director*



**GMI CAPITAL SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<i>Issued, subscribed and paid - up capital</i>	<i>Reserves Revenue Accumulated profit</i>	<i>Total equity</i>
	<i>----- Rupees -----</i>		
Balance as at June 30, 2020	150,000,000	61,728,941	211,728,941
Profit for the year	-	29,181,447	29,181,447
Balance as at June 30, 2021	150,000,000	90,910,388	240,910,388
Loss for the year	-	(27,214,964)	(27,214,964)
Balance as at June 30, 2022	150,000,000	63,695,424	213,695,424

The annexed notes from 1 to 39 form an integral part of these financial statements

  
 Chief Executive

  
 Director

**GMI CAPITAL SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Note</b>	<b>2022</b> <b>Rupees</b>	<b>2021</b> <b>Rupees</b>
(Loss) / profit before taxation		(31,767,839)	35,411,495
<b>Adjustments for non cash items:</b>			
Depreciation - investment property		937,993	1,042,215
Depreciation - property and equipment		401,352	470,177
Loss on disposal of property and equipment		-	2,557
Capital gain - realized		(844,726)	(382,401)
Unrealized loss / (gain) on remeasurement of investment		24,908,743	(27,864,915)
Dividend income		(897,481)	(432,500)
Rental income		(1,416,140)	(1,392,924)
Finance cost		11,646	17,261
		<u>23,101,387</u>	<u>(28,540,530)</u>
<b>Operating (loss) / profit before working capital changes</b>		<b>(8,666,452)</b>	<b>6,870,965</b>
<b>Decrease / (increase) in current assets</b>			
Trade receivables		(1,589,769)	(8,519,730)
Deposits & other receivables		(1,660,652)	843,725
<b>(Decrease) / increase in current liabilities</b>			
Trade payables		(6,875,639)	3,326,626
Accrued expenses & other liabilities		(973,371)	347,397
		<u>(11,099,431)</u>	<u>(4,001,982)</u>
		<u>(19,765,883)</u>	<u>2,868,983</u>
Taxes paid		(1,429,922)	(324,915)
Finance cost paid		(11,646)	(17,261)
		<u>- (1,441,568)</u>	<u>(342,176)</u>
<b>Net cash (used in) / generated from operating activities</b>		<b>(21,207,451)</b>	<b>2,526,807</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Long term deposits - net		(1,250,000)	90,000
Short term investment - net		(28,271,755)	861,180
Dividend income received		897,481	432,500
Proceeds from disposal of property and equipment		-	18,800
Rental income received during the year		1,416,140	1,499,089
Capital expenditure incurred		-	(170,400)
<b>Net cash (used in) / generated from investing activities</b>		<b>(27,208,134)</b>	<b>2,731,169</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B)</b>		<b>(48,415,585)</b>	<b>5,257,976</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>115,704,815</b>	<b>110,446,839</b>
<b>Cash and cash equivalents at the end of the year</b>	33	<b>67,289,230</b>	<b>115,704,815</b>

The annexed notes from 1 to 39 form an integral part of these financial statements

  
**Chief Executive**

  
**Director**



**GMI CAPITAL SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**1 NATURE AND STATUS OF BUSINESS**

GMI Capital Securities (Private) Limited (the Company) was incorporated in May 22, 2006 as private limited company. The registered office of the Company is situated at 705, 7th Floor, Stock Exchange Building, Stock Exchange Road, Karachi, Pakistan. The Company is engaged in the business of financial consultancy, brokerage, underwriting and investment counseling. It is a Trading Right Holder of the Pakistan Stock Exchange Limited.

**2 BASIS OF PRESENTATION**

**2.1 Statement of compliance**

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

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

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

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

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except for derivatives and investment.

**2.3 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

**2.4 New accounting pronouncements**

**2.4.1 Amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2022.**

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.

**2.4.2 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:

**2.4.2.1** 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 is currently in the process of assessing the impacts of these amendments to these financial statements.

**2.4.2.2** 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 relating to immaterial transactions, other events or conditions are themselves immaterial and as such need not to be disclosed; and
- c. clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

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

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

**2.4.2.3** 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.



2.4.2.4 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 recognize 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 recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized 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.

2.4.2.5 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.

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

The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 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 accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year:

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

##### **3.1.1 *Owned***

Items of property and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to acquisition of the assets including borrowing costs.

Where major components of an item of property and equipment have different useful life, they are accounted for as separate items of property and equipment.

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 the cost of the item 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.

Disposal of an item of property and equipment is recognized when significant risks and rewards incidental to ownership have been transferred. Gain or loss on disposal are determined by comparing the proceeds with the carrying amount and are recognized within "Other operating income" in the statement of profit or loss.

Depreciation is charged to statement of profit or loss applying the reducing balance method.

Depreciation is charged from the month when asset is available for use while no depreciation is charged in the month of disposal.

### **3.2 Intangible assets**

These stated at the cost less accumulated amortization and impairment losses, if any. Amortization is charged using reducing balance method over assets estimated useful life, after taking into account residual value, useful life and amortization methods are reviewed and adjusted, if appropriate, at reporting date.

Amortization on additions is charged from the month the assets are put to use while no amortization is charged in the month in which the assets are disposed off.

Gain or loss on disposal, If any are included in the statement of profit or loss.

#### ***Trading right entitlement certificate and room***

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 it's recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to it's estimated recoverable amount.

### **3.3 Investment property**

Property that is held for long - term rental yields or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes, is classified as investment property. Investment property is initially measured at it's cost, including related transaction cost and borrowing costs, if any. Subsequent to initial recognition investment property is measured at cost less accumulated depreciation.

### **3.4 Impairment of non-financial assets**

The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset's or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value less cost to sell. Impairment losses are recognized in the statement of profit or loss

### **3.5 Financial assets**

#### ***Initial measurement***

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

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



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

### ***Subsequent measurement***

Debt Investments at FVOCI	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss
Equity Investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in statement profit or loss.
Financial assets measured at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

### ***3.6 Investments***

- Investment in equity shares are classified as "**At Fair Value - Through Profit or Loss**" and is initially measured at cost and subsequently is measured at fair value determined using the market value at each reporting date. Net gains and losses, including any interest / markup or dividend income, are recognized in statement profit or loss.

### ***3.7 Settlement date accounting***

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognized at the settlement date. Trade date is the date on which the Company commits to purchase or sale an asset.

### ***3.8 Trade debts and other receivables***

Trade debts and other receivable are recognized at fair value and subsequently measured at amortized cost. A provision for impairment in trade debts and other receivables is made when there is objective evidence that the Company will not be able to collect all amount due according to original terms of receivables. Trade debts and other receivables considered irrecoverable are written off. The receivable in respect of securities sold on behalf of clients are recorded at settlement date of transaction.

### ***3.9 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.

### ***3.10 Cash and cash equivalents***

Cash and cash equivalents in the statement of cash flow includes cash in hand and balances with banks.

### **3.11 Impairment of financial assets**

The Company recognizes loss allowances for ECLs in respect of financial assets measured at amortized cost.

The Company measures loss allowances at an amount equal to lifetime ECLs deducting market value of securities available.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs less value of securities.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward - looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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

The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

### **3.12 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

### **3.13 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.



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

Financial assets and financial liabilities are set off and only the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amount and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously

### **3.15 Borrowing / debt**

Borrowings / debt is recognized initially at fair value, net of transaction costs incurred. These are subsequently measured at amortized cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of borrowings / debt under the effective interest method. Markup / profit on borrowings / debt is calculated using the effective interest method and is recognized in the statement of profit or loss.

### **3.16 Share capital**

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from the proceeds.

### **3.17 Trade and other payables**

Trade and other payable are recognized initially at fair value plus directly attributable costs, if any, and subsequently measured at amortized cost using an effective interest method. Trade payable in respect of securities purchased are recorded at settlement date of transaction.

These are classified as current liabilities if payment is due within one year or less (or in normal operating cycle of the business if longer). If not they are presented as non - current liabilities.

### **3.18 Taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it related to items recognized in other comprehensive income or directly in equity. In this case tax is also recognized in other comprehensive income or directly in equity, respectively.

#### **3.18.1 Current**

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous year.

#### **3.18.2 Deferred**

Deferred tax is recognized using balance sheet method, providing for all temporary differences between carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realized.



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.

### **3.20 Revenue recognition**

Revenue is recognized to the extent that is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. revenue is recognized on the following basis.

- 1 Brokerage, consultancy, advisory fee and commission etc. are recognized as and when such services are provided based on settlement date accounting.
- 2 Income from bank deposits, reverse repo and margin deposits is recognized at effective yield on time proportion basis.
- 3 Gains / (losses) arising on sale of investment are included in the statement of profit or loss for the period which they arise.
- 4 Unrealized capital gains / (losses) arising from mark to market of investments classified as "financial assets at fair value through profit or loss" are included in the statement of profit or loss for the period in which they arise.
- 5 Rental income from investment properties is recognized on accrual basis.
- 6 Other income is recognized on receipt basis.

### **3.21 Related party transactions**

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates on the same terms and condition as third party transactions using valuations models, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so and accordingly directors are allowed trading in shares free of commission.

## **4 USE OF ESTIMATES AND JUDGMENTS**

The preparation of financial statements is in conformity with the approved financial reporting standards as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affects 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 on which form the basis of making judgments about 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 estimates is revised if the revision effects only the period, or in the period of the revision and future periods if the revision affects both current and future periods.

# PROPERTY AND EQUIPMENT

The following is the statement of property and equipment:

Description	Owned Assets					
	Furniture and fixtures	Office Premises	Vehicles	Office equipment	Computers	Total
	----- Rupees -----					
Year ended June 30, 2022						
Net carrying value basis						
Opening net book value (NBV)	104,037	362,216	1,854,616	150,409	162,570	2,633,848
Additions (at cost)	-	-	-	-	-	-
Less: disposals						
Cost	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Net book value	-	-	-	-	-	-
Depreciation charge	(15,606)	(36,222)	(278,192)	(22,561)	(48,771)	(401,352)
Closing net book value	88,431	325,994	1,576,424	127,848	113,799	2,232,496
Gross carrying value basis						
Cost	616,789	1,500,000	2,379,000	475,803	1,968,580	6,940,172
Accumulated depreciation	(528,358)	(1,174,006)	(802,576)	(347,955)	(1,854,781)	(4,707,676)
Net book value	88,431	325,994	1,576,424	127,848	113,799	2,232,496
Year ended June 30, 2021						
Net carrying value basis						
Opening net book value (NBV)	106,766	402,462	2,148,310	108,970	188,474	2,954,982
Additions (at cost)	14,900	-	38,000	82,500	35,000	170,400
Disposals (NBV)						
Cost	-	-	61,700	36,000	-	97,700
Depreciation	-	-	(57,291)	(19,052)	-	(76,343)
Net book value	-	-	4,409	16,948	-	21,357
Depreciation charge	(17,629)	(40,246)	(327,285)	(24,113)	(60,904)	(470,177)
Closing net book value	104,037	362,216	1,854,616	150,409	162,570	2,633,848
Gross carrying value basis						
Cost	616,789	1,500,000	2,379,000	475,803	1,968,580	6,940,172
Accumulated depreciation	(512,752)	(1,137,784)	(524,384)	(325,394)	(1,806,010)	(4,306,324)
Net book value	104,037	362,216	1,854,616	150,409	162,570	2,633,848
Depreciation rate	15%	10%	15%	15%	30%	

## INVESTMENT PROPERTY

	Note	2022 Rupees	2021 Rupees
Cost	6.1	17,650,000	17,650,000
Accumulated depreciation			
Opening at July 01		(8,270,067)	(7,227,852)
Charge for the year		(937,993)	(1,042,215)
Closing		(9,208,060)	(8,270,067)
NBV at June 30		8,441,940	9,379,933
Rate of depreciation		10%	10%

6.1 These represents two offices in old stock exchange building.

## 7 INTANGIBLE ASSET

Trading Rights Entitlement Certificate	2,500,000	2,500,000
--	-----------	-----------

## 8 LONG TERM DEPOSITS

Pakistan Stock Exchange Limited	8.1	10,000	10,000
National Clearing Company of Pakistan Limited	8.2	1,400,000	1,400,000
Central Depository Company of Pakistan Limited		100,000	100,000
Base Minimum Capital		4,476,609	3,226,609
Communication service to customer		10,000	10,000
		5,996,609	4,746,609

8.1 This represents railway land deposit with Pakistan Stock Exchange Limited.

### 8.2 National Clearing Company of Pakistan Limited

- Security deposit - Basic	200,000	200,000
- Security deposit transferred from PSX	200,000	200,000
- Security deposit - DFC	1,000,000	1,000,000
	1,400,000	1,400,000

## 9 DEFERRED TAXATION

### Asset / (liability)

#### Relating to taxable temporary differences

Accelerated tax depreciation	(139,226)	(167,991)
------------------------------	-----------	-----------

#### Relating to deductible temporary differences

Business losses	8,499,657	6,712,570
Unabsorbed tax depreciation	1,805,085	1,438,409
Alternative corporate tax	1,774,989	6,908,193
	12,079,732	15,059,171
	11,940,506	14,891,180

Unrecognized deferred tax asset	9.1	(11,940,506)	(14,891,180)
---------------------------------	-----	--------------	--------------

9.1 Deferred tax asset of Rs. 11.94 (2021: Rs. 14.89) Million has not been recognized owing to uncertainty regarding future profitability against which deferred tax asset could be set off.



**TRADE RECEIVABLES****- Related party (director)**

- Ms. Maria Ghulam Muhammad - considered good

Note

2022  
Rupees2021  
Rupees

10.1

10,213,571

5,917,240

**- Others**

- Clients - considered good

10.2

17,334,703

20,041,265

27,548,274

25,958,505

10.1 The maximum outstanding balance due from related party at the end of any month amounts to Rs. 12.43 (2021: Rs. 5.92) Million.

10.2 Total value of securities pertaining to clients' and are in their respective sub - accounts amounts to Rs. 231.04 (2021: Rs. 215.82) Million.

**11 DEPOSITS & OTHER RECEIVABLES**

Exposure deposit

Note

2022  
Rupees2021  
Rupees

11.1

36,300,000

37,039,032

Other receivable

2,399,684

-

38,699,684

37,039,032

**11.1 Exposure deposit**

Ready market

17,500,000

17,500,000

Future market exposure

18,800,000

19,539,032

11.1.1

36,300,000

37,039,032

11.1.1 These represent amount of deposits held at the year end against exposure arising out of the trading in securities in accordance with the regulations of Pakistan Stock Exchange Limited and National Clearing Company Pakistan Limited.

**12 TAX REFUNDS DUE FROM GOVERNMENT - NET**

Opening

2,380,298

8,285,431

Tax paid during the year

1,429,922

324,915

Less: current tax

24

(274,253)

(6,097,666)

Less: prior tax

4,827,128

(132,382)

Closing

8,363,095

2,380,298

**13 SHORT TERM INVESTMENT****At fair value - through profit or loss**

Listed equity securities

13.1, 13.2 &amp; 13.3

59,631,874

55,424,136

**At fair value - through profit or loss - listed equity securities**

2022	2021		2022	2021
Number of shares			Rupees	Rupees
14,000	14,000	Attock Refinery Limited	2,460,920	3,590,300
40,000	40,000	D.G. Khan Cement Company Limited	2,500,000	4,716,800
10,000	10,000	Engro Fertilizer Limited	886,400	702,700
100,000	100,000	Fauji Cement Company Limited	1,417,000	2,300,000
10,000	10,000	Friesland Campina Engro Pakistan Limited	682,800	1,150,800
12,500	12,500	Fauji Fertilizer Bin Qasim Limited	253,000	330,125
12,500	12,500	Fauji Fertilizer Company Limited	1,377,750	1,326,250
7,000	7,000	Ghandhara Nissan Limited	415,660	764,610
7,000	7,000	Ghandhara Tyres & Rubber Company Ltd	238,070	614,810
2,000	2,000	Honda Atlas Cars (Pakistan) Limited	389,460	691,560
12,000	10,000	Hi-Tech Lubricants Limited	475,800	709,100
250,000	250,000	K-Electric Limited	760,000	1,045,000
10,000	10,000	National Refinery Limited	2,525,700	5,231,900
10,000	10,000	Oil & Gas Development Company Limited	786,700	950,300
1,402,953	1,402,953	Pakistan Stock Exchange Limited	14,352,209	31,299,881
950,000	-	Pak Elektron Limited	15,095,500	-
60,000	-	Pakistan Petroleum Limited	4,050,600	-
320,500	-	Sui Northern Gas Pipelines Limited	10,964,305	-
<b>3,230,453</b>	<b>1,897,953</b>		<b>59,631,874</b>	<b>55,424,136</b>

13.2 These include shares having market value amounting to Rs. 18.15 (2021: Rs. 37.17) Million pledged with PSX for meeting BMC requirement and shares having market value amounting to Rs. 4.73 (2021: Rs. 7.14) Million pledged with NCCPL for meeting ready and future margin requirements.

13.3 The market value of each security at the year end is as follows:

	2022	2021
Attock Refinery Limited	175.78	256.45
D.G. Khan Cement Company Limited	62.50	117.92
Engro Fertilizer Limited	88.64	70.27
Fauji Cement Company Limited	14.17	23.00
Friesland Campina Engro Pakistan Limited	68.28	115.08
Fauji Fertilizer Bin Qasim Limited	20.24	26.41
Fauji Fertilizer Company Limited	110.22	106.10
Ghandhara Nissan Limited	59.38	109.23
Ghandhara Tyres & Rubber Company Limited	34.01	87.83
Honda Atlas Cars (Pakistan) Limited	194.73	345.78
Hi-Tech Lubricants Limited	39.65	70.91
K-Electric Limited	3.04	4.18
National Refinery Limited	252.57	523.19
Oil & Gas Development Company Limited	78.67	95.03
Pakistan Stock Exchange Limited	10.23	22.31
Pak Elektron Limited	15.89	35.06
Pakistan Petroleum Limited	67.51	86.83
Sui Northern Gas Pipelines Limited	34.21	48.58

**CASH AND BANK BALANCES**

	Note	2022 Rupees	2021 Rupees
Cash in hand		36,709	40,414
Cash at bank - in current accounts	14.1	67,252,521	115,664,401
		<u>67,289,230</u>	<u>115,704,815</u>

**14.1 Bank balance pertains to:**

- Clients		6,156,634	14,554,134
- Brokerage house		61,095,887	101,110,267
		<u>67,252,521</u>	<u>115,664,401</u>

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

	2022 Number of shares	2021 Number of shares		2022	2021
1,500,000	1,500,000	Ordinary shares of Rs. 100 each fully paid in cash		150,000,000	150,000,000
<u>1,500,000</u>	<u>1,500,000</u>			<u>150,000,000</u>	<u>150,000,000</u>

15.1 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.

	Note	2022 Rupees	2021 Rupees
<b>16 TRADE PAYABLES</b>			
- Related party (director)			
- Mrs. Mariam Ghulam Muhammad	16.1	49,488	50,000
- Others			
- Clients		6,107,146	12,982,273
		<u>6,156,634</u>	<u>13,032,273</u>

16.1 The maximum aggregate amount outstanding at any time during the year with reference to month end balances:

Name	2022 Rupees	2021 Rupees
Mrs. Mariam Ghulam Muhammad.	<u>49,999</u>	<u>154,709</u>

**17 ACCRUED EXPENSES AND OTHER LIABILITIES**

Accrued expenses	603,640	1,012,386
SST payable	247,012	478,731
Other liabilities	492	333,398
	<u>851,144</u>	<u>1,824,515</u>



## CONTINGENCIES AND COMMITMENTS

### 18.1 Contingencies

There are no contingencies at the year end (2021: nil).

### 18.2 Commitments

Commitment against unrecorded transactions executed before year end having settlement date subsequent to year end:

	Note	2022 Rupees	2021 Rupees
For purchase of shares		13,695,522	2,477,100
For sale of shares		2,292,314	500,400

## 19 OPERATING REVENUE

Brokerage commission	19.1	10,134,442	32,472,189
Custody / laga / ncss fee		1,036,031	5,956,353
Dividend income		897,481	432,500
		12,067,954	38,861,042

### 19.1 Brokerage commission

Gross commission	11,307,622	36,693,573
Sales tax / federal excise duty	(1,173,180)	(4,221,385)
	10,134,442	32,472,189

#### 19.1.1 Brokerage commission pertains to

Retail customers	11,307,622	36,693,573
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## 20 ADMINISTRATIVE EXPENSES

Directors' remuneration	28	1,200,000	1,800,000
Salaries and other benefits		7,749,746	18,450,269
Service and transaction charges		783,374	2,067,990
Utilities		453,708	485,078
Printing and stationery		62,005	106,085
Fees and subscription		60,000	65,000
Legal and professional charges		524,228	586,880
I.T expenses		979,304	931,159
Entertainment		455,501	400,305
Postage and courier		10,720	36,980
Traveling and conveyance		31,670	25,840
Rent, rates and taxes		301,295	261,750
Repairs and maintenance		241,896	171,452
Depreciation - property and equipment	5	401,352	470,177
Depreciation - investment property	6	937,993	1,042,215
General expenses		471,941	542,859
		14,664,733	27,444,039

	<i>Note</i>	<b>2022</b> <b>Rupees</b>	<b>2021</b> <b>Rupees</b>
<b>FINANCE COST</b>			
Bank charges		<u>11,646</u>	<u>17,261</u>
<b>22 OTHER CHARGES</b>			
Charity & donation	22.1	<b>8,183,545</b>	6,193,688
Audit fee	22.2	<b>648,000</b>	642,600
Fine and penalty		-	450,025
		<u><b>8,831,545</b></u>	<u>7,286,313</u>

22.1 This amount represents food distributed to different needy people, Each receiving food items of less than the limits specified under fifth Schedule.

	<i>Note</i>	<b>2022</b> <b>Rupees</b>	<b>2021</b> <b>Rupees</b>
<b>22.2 Audit fee</b>			
<i>Reanda Haroon Zakaria &amp; Company Chartered Accountants</i>			
- Statutory audit		<b>432,000</b>	396,360
- Certifications		<b>216,000</b>	170,640
		<u><b>648,000</b></u>	<u>567,000</u>
<i>Parker Russell-A.J.S. Chartered Accountants</i>			
- PSX System audit		-	37,800
- NCCPL audit		-	37,800
		<u><b>648,000</b></u>	<u>642,600</u>

## 23 OTHER INCOME

### *From financial assets*

Profit on exposure and BMC deposits

**2,320,008** 1,660,383

### *From non - financial assets*

Rental income

Loss on disposal of property and equipment

<b>1,416,140</b>	1,392,924
-	(2,557)
<u><b>1,416,140</b></u>	<u>1,390,367</u>
<u><b>3,736,148</b></u>	<u>3,050,750</u>

## 24 TAXATION

Current

Prior

24.1	<b>274,253</b>	6,097,666
	<b>(4,827,128)</b>	132,382
	<u><b>(4,552,875)</b></u>	<u>6,230,048</u>

### 24.1 Current tax

- Normal

- Alternate Corporate Tax Section 113C

- Turnover Tax Section 113

- FTR

	-	323,158
	-	5,709,633
	<b>139,631</b>	-
24.2	<b>134,622</b>	64,875
	<u><b>274,253</b></u>	<u>6,097,666</u>

### 24.2 FTR

± Tax on dividend

<u><b>134,622</b></u>	<u>64,875</u>
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24.3 Income tax returns of the Company have been finalized up to and including the tax year 2021, which is deemed to be assessment order under provisions of Income Tax Ordinance, 2001.

An assessment can only be amended within 5 years from the end of the financial year in which the commissioner has issued or treated to have the original assessment order.

The commissioner of income tax may in any of the previous 6 years select the deemed assessment for audit.

## 25 PROVISION FOR IMPAIRMENT LOSSES & TREATMENT OF RECEIVABLES

The aging of trade debts as at the statement of financial position date is summarized below: -

	2022		2021	
	Gross	Impairment	Gross	Impairment
	----- Rupees -----			
<b>Balance outstanding</b>				
Past due 1 - 14 days	20,203,361	-	22,587,306	-
Past due 15 - 30 days	581,270	-	936,772	-
Past due 31 - 60 days	1,486,846	-	371,330	-
Past due 61 - 90 days	449,222	-	130,263	-
365 days or more	4,827,575	-	1,932,835	-
	<b>27,548,274</b>	<b>-</b>	<b>25,958,505</b>	<b>-</b>

### 25.1 Treatment of receivables

Receivables are recorded on settlement basis of accounting and provision is made based on market practices and past performance.

## 26 PATTERN OF SHAREHOLDING

Following is the pattern of shareholding as at June 30, 2022:

Name of shareholders'	Number of shares held	Percentage %
Ms. Maria Ghulam Muhammad	1,484,999	99.00%
Other	15,001	1.00%
	<b>1,500,000</b>	<b>100.00%</b>

2022

2021

## 27 (LOSS) / EARNINGS PER SHARE

### - Basic and diluted

(Loss) / profit after taxation	(27,214,964)	29,181,447
Weighted average number of shares issued up to the end of the year	15,000,000	15,000,000
(Loss) / earnings per share	(1.81)	1.95

There is no dilutive effect on the basic (loss) / earnings per share of the Company.

## REMUNERATION OF DIRECTORS AND CHIEF EXECUTIVE

	2022		2021	
	Directors	Chief Executive	Directors	Chief Executive
Managerial remuneration	600,000	600,000	600,000	1,200,000
Number of person (s)	1	1	1	1

28.1 In addition to above chief executive and director are also allowed trading of shares without commission charges, Company maintained vehicle and reimbursement of various house hold expenses.

## 29 FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

### Financial instrument by category

#### Financial assets

Long term deposits  
Short term investments  
Trade receivables  
Exposure deposits  
Cash and bank balances

	2022		
	At fair value - through profit or loss	Other financial assets	Total
	----- Rupees -----		
	-	5,996,609	5,996,609
	59,631,874	-	59,631,874
	-	27,548,274	27,548,274
	-	36,300,000	36,300,000
	-	67,289,230	67,289,230
	59,631,874	137,134,113	196,765,987

#### Financial assets

Long term deposits  
Short term investments  
Trade receivables  
Exposure deposits  
Cash and bank balances

	2021		
	At fair value - through profit or loss	Other financial assets	Total
	----- Rupees -----		
	-	4,746,609	4,746,609
	55,424,136	-	55,424,136
	-	25,958,505	25,958,505
	-	37,039,032	37,039,032
	-	115,704,815	115,704,815
	55,424,136	183,448,961	238,873,097

## 30 FINANCIAL RISK MANAGEMENT

The Boar of Directors of the Company has overall responsibility for establishment and oversight of the company's risk management framework. The Company has exposure to the following risks from its use of financial instrument:

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



### 30.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

#### 30.1.1 Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Company is exposed to such risk mainly in respect of short term borrowings. Management of the Company estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Company's loss by Rs. nil and a 1% decrease would result in a decrease in the Company's loss by the same amount. However, in practice, the actual results may differ from the sensitivity analysis. Currently, The Company is not exposed to interest rate risk.

#### 30.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or the future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Company does not have any financial instrument in foreign currencies and hence is not exposed to such risk.

#### 30.1.3 Equity price risk

Equity price risk is that risk of volatility in share price resulting from their dependence on market sentiments, speculative activities, supply and demand for the shares and liquidity in the market. Management of the Company estimates that a 1% increase in overall equity prices in the market with all other factors remaining constant would increase the Company's equity by Rs. 0.60 (2021: Rs. 0.55) Million and a 1% decrease would result in a decrease in the Company's equity by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

### 30.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligation associated with its financial liabilities that are settled by delivering cash or another financial assets. Liquidity risk arises because of possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market options due to the dynamic nature of the business. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines available. The following are the contractual maturities of financial liabilities.

#### Financial Liabilities

Trade payables, accrued expense and other liabilities

2022	
Carrying Amount	Within one year
----- Rupees -----	
6,760,766	6,760,766
2021	
Carrying Amount	Within one year
----- Rupees -----	
14,044,659	14,044,659

#### Financial Liabilities

Trade payables, accrued expense and other liabilities



### 30.3 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 inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfill their obligations.

#### 30.3.1 Exposure to credit risk

Credit risk of the Company arises principally from the trade debts, short term investments, loans and advances, deposits and other receivables. The carrying amount of the 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 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 policy is to enter into financial contracts in accordance with the internal risk management policies and investment and operational guidelines approved by the Board of Directors. In addition, credit is also minimized due to the fact that the Company invests only in high quality financial assets, majority of which have been rated by a reputable rating agency. All transactions are settled / paid for upon delivery. The Company does not expect to incur material credit losses on its financial assets. The maximum exposure to credit risk at the reporting date is follows:

	2022 Rupees	2021 Rupees
Long term deposits	5,996,609	4,746,609
Short term investments	59,631,874	55,424,136
Trade receivables	27,548,274	25,958,505
Exposure deposits	36,300,000	37,039,032
Bank balances	67,252,521	115,664,401
	<u>196,729,278</u>	<u>238,832,683</u>

### 30.4 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.

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.

- 1) Requirements for appropriate segregation of duties between various functions, roles and responsibility;
- 2) Requirements for the reconciliation and monitoring of transactions;
- 3) Compliance with regulatory and other legal requirements;

- 4) Documentation of control and procedures;
- 5) Requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified;
- 6) ethical and business standards;
- 7) Risk mitigation, including insurance where this is effective.

#### ***Fair value of financial instruments***

The carrying values of all financial assets and liabilities reflected in these financial statements approximate to their fair value. The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

Fair value of the financial assets that are traded in active markets are based on quoted market prices or dealer prices quotations.

The table below analysis financial instruments 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.

		2022			
		Level 1	Level 2	Level 3	Total
		----- Rupees -----			
<b>At fair value - through profit or loss</b>					
Listed securities		59,631,874	-	-	59,631,874
		2021			
		Level 1	Level 2	Level 3	Total
		----- Rupees -----			
<b>At fair value - through profit or loss</b>					
Listed securities		55,424,136	-	-	55,424,136

### **31 CAPITAL MANAGEMENT**

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structure in order to ensure availability of finance for its existing operations, for maximizing shareholder's value, for tapping potential investment opportunities and to reduce cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The Company finances its operations through equity.

	<i>Note</i>	<i>2022 Rupees</i>	<i>2021 Rupees</i>
<b>32 CAPITAL ADEQUACY LEVEL</b>			
<i>The Capital adequacy level as required by CDC is calculated as follows:</i>			
Total Assets	32.1	220,703,202	255,767,176
Less: Total liabilities		(7,007,778)	(14,856,788)
Less: Revaluation Reserves (created upon revaluation of Fixed Assets)		-	-
<b>Capital Adequacy Level</b>		<b>213,695,424</b>	<b>240,910,388</b>

32.1 While determining the value of the total assets of the TREC Holder, Notional value of TREC held by such participant as at year ended June 30, 2022 as determined by Pakistan Stock Exchange Limited has been considered.

	<i>2022 Rupees</i>	<i>2021 Rupees</i>
<b>33 CASH AND CASH EQUIVALENTS</b>		
Cash in hand	36,709	40,414
Cash at bank	67,252,521	115,664,401
	<b>67,289,230</b>	<b>115,704,815</b>

### 34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if any one party has the ability to control the other party or exercise significant influence over other party in making financial and operating decisions.

The related parties comprise of major shareholders, directors of the Company and key management personnel.

	<i>2022 Rupees</i>	<i>2021 Rupees</i>
<i>Detail of transactions with related parties during the year is as follows:</i>		
<i>Directors and chief executive officer</i>		
<i>Transactions during the year</i>		
Remuneration to director and chief executive officer	1,200,000	1,800,000
<i>Year end balances</i>		
Trade payable	49,488	50,000
Trade receivable	10,213,571	5,917,240



## **NET CAPITAL BALANCE**

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

35.2 The Net Capital Balance as required under Third Schedule of Securities and Exchange Rules, 1971 read with the SECP guidelines is calculated as follows;

	<i>Note</i>	<i>2022 Rupees</i>
<b><u>CURRENT ASSETS</u></b>		
<i>Cash in hand</i>		36,709
<i>Cash at bank</i>		
- Pertaining to brokerage house		61,095,887
- Pertaining to clients		6,156,634
<i>Total bank balances</i>	35.3	67,252,521
<i>Deposit against exposure</i>	35.4	36,300,000
<i>Trade Receivables</i>		
Book value		27,548,274
Less: over due for more than 14 days		(7,344,912)
Balance generated within 14 days and / or not yet due	35.5	20,203,362
Securities held on behalf of client where payment has not been received in 14 days	35.6	6,807,320
<i>Investment in listed securities</i>		
Securities on the exposure list marked to market		41,485,165
Less: 15% discount		(6,222,775)
	35.7	35,262,390
<i>Total Current Assets</i>	A	165,862,303
<b><u>CURRENT LIABILITIES</u></b>		
<i>Trade Payables</i>		
Book value		6,156,634
Less: over due for more than 30 days		(3,704,327)
	35.8	2,452,307
Other liabilities	35.9	4,555,471
<i>Total Current Liabilities</i>	B	7,007,778
<b>NET CAPITAL BALANCE</b>	<b>A minus B</b>	<b>158,854,524</b>

2022

Note

Rupees

**35.3 Cash at bank****- Pertaining to brokerage house**

Current account

61,095,887**- Pertaining to clients**

Current account

35.3.1

6,156,634**35.3.1 Restricting it to trade payables:**

Trade payable

Current account

**35.4 Deposit against exposure**

Ready market exposure

17,500,000

Future market exposure and loss

18,800,00036,300,000**35.5 Trade receivables**

This amount is based on 14 days net capital aging of trade receivables.

**35.6 Securities held on behalf of clients where payment has not been received in 14 days**

The amount represents lower of securities held and receivable above 14 days from clients.

**35.7 Investment in listed securities**

Listed equity securities

59,631,874

Less: shares pledged with PSX for meeting BMC requirement

(18,146,709)

Amount eligible for discount

41,485,165

Less: 15% discount

(6,222,775)35,262,390**35.8 Trade payable**

This amount is based on 30 days net capital aging of trade payables.

**35.9 Other liabilities**

Trade payable over due for more than 30 days

3,704,327

Accrued expenses

603,640

SST payable

247,012

Other liabilities

492

4,555,471

# LIQUID CAPITAL

S.no.	Head of account	Value in pak rupees	Hair Cut / Adjustments	Net adjusted value
<b>1</b>	<b>Assets</b>			
<b>1.1</b>	Property & equipment	10,674,436	100%	-
<b>1.2</b>	Intangible assets	2,500,000	100%	-
<b>1.3</b>	Investment in govt. securities (150,000*99)	-	-	-
<b>1.4</b>	<b>Investment in debt. securities</b>	-	-	-
	<b>If listed than:</b>			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.	-	-	-
	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 upto 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.	-	-	-
<b>1.5</b>	<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.	59,631,874	9,471,080	50,160,794
	ii. If unlisted, 100% of carrying value.	-	-	-
	iii. Subscription money against Investment in IPO / offer for Sale: Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.	-	-	-
	iv. 100% haircut shall be applied to value of investment in any asset including shares of listed securities that are in block, freeze or pledge status as on reporting date. Provided that 100% haircut shall not be applied in case of investment in those securities which are pledged in favor of Stock Exchange / Clearing House against margin financing requirements or pledged in favor of banks against short term financing arrangements. In such cases, the haircut as provided in Schedule III of the Regulations in respect of investment in securities shall be applicable.	-	-	-
<b>1.6</b>	Investment in subsidiaries	-	-	-
<b>1.7</b>	<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.	-	-	-
<b>1.8</b>	Statutory or regulatory deposits / basic deposits with the exchanges, clearing house or central depository or any other entity.	5,996,609	100%	-
<b>1.9</b>	Margin deposits with exchange and clearing house.	36,300,000	-	36,300,000
<b>1.10</b>	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
<b>1.11</b>	Other deposits and prepayments	10,762,779	100%	-



No.	Head of account	Value in pak rupees	Hair Cut / Adjustments	Net adjusted value
1.12	Accrued interest, profit or markup 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. (securities purchased under repo arrangement shall not be included in the investments.)	-	-	-
1.15	i. Short term loan to employees: loans are secured and due for repayment within 12 months	-	-	-
	ii. Receivables other than trade receivables	-	-	-
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.	-	-	-
	claims 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>i. Lower of net balance sheet value or value determined through adjustments.</i>			
	ii. In case receivables are against margin trading, 5% of the net balance sheet value.	-	-	-
	<i>ii. Net amount after deducting haircut</i>			
	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract,	-	-	-
	<i>iii. Net amount after deducting haircut</i>			
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value.	7,989,095	-	7,989,095
	<i>iv. Balance sheet value</i>			
	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.	9,345,608	8,588,069	8,588,069
	<i>v. Lower of net balance sheet value or value determined through adjustments</i>			
	<i>vi. 100% haircut in the case of amount receivable from related parties.</i>	10,213,571	100%	-
1.18	<b>Cash and bank balances</b>			
	i. Bank Balance-proprietary accounts	61,095,887	-	61,095,887
	ii. Bank balance-customer accounts	6,156,634	-	6,156,634
	iii. Cash in hand	36,709	-	36,709
1.19	<b>Total Assets</b>	<b>220,703,203</b>		<b>170,327,189</b>

10.	Head of account	Value in pak rupees	Hair Cut / Adjustments	Net adjusted value
2	<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	6,156,634	-	6,156,634
2.2	<b>Current Liabilities</b>			
	i. Statutory and regulatory dues	-	-	-
	ii. Accruals and other payables	851,144	-	851,144
	iii. Short term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long term liabilities	-	-	-
	vi. Deferred liabilities	-	-	-
	vii. Provision for bad debts	-	-	-
	viii. Provision for taxation	-	-	-
	ix. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.3	<b>Non-Current Liabilities</b>			
	i. Long term financing	-	-	-
	a. Long term financing obtained from financial institution: long term portion of financing obtained from a financial institution including amount due against finance lease	-	-	-
	b. Other long term financing	-	-	-
	ii. Staff retirement benefits	-	-	-
	iii. Advance against shares for increase in capital of securities broker: 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Board of directors of the Company has approved the increase in capital c. Relevant regulatory approvals have been obtained d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e. Auditor is satisfied that such advance is against the increase of capital.	-	-	-
	iv. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.4	<b>Subordinated loans</b>			
	i. 100% of subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified: a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period b. No haircut will be allowed against short term portion which is repayable within next 12 months. c. In case of early repayment of loan, adjustment shall be made to the liquid capital and revised liquid capital statement must be submitted to exchange.	-	-	-
	ii. Subordinated loans which do not fulfill the conditions specified by SECP	-	-	-



S.no.	Head of account	Value in pak rupees	Hair Cut / Adjustments	Net adjusted value
<b>3</b>	<b>Ranking Liabilities Relating to:</b>			
<b>3.1</b>	<b>Concentration in margin financing</b>			
	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.	-	-	-
<b>3.2</b>	<b>Concentration in securities lending and borrowing</b>			
	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.	-	-	-
<b>3.3</b>	<b>Net underwriting commitments</b>			
	<b>(a) in the case of right issues :</b> 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	-	-	-
	<b>(b) in any other case :</b> 12.5% of the net underwriting commitments	-	-	-
<b>3.4</b>	<b>Negative equity of subsidiary</b>			
	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
<b>3.5</b>	<b>Foreign exchange agreements and foreign currency positions</b>			
	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	-	-	-
<b>3.6</b>	<b>Amount payable under REPO</b>	-	-	-
<b>3.7</b>	<b>Repo adjustment</b>			
	<b>In the case of financier / purchaser</b> the total amount receivable under Repo less the 110% of the market value of underlying securities. <b>In the case of finance / seller</b> the market value of underlying securities after applying haircut less the total amount received, less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
<b>3.8</b>	<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	-	754,775	754,775



<i>S.no.</i>	<i>Head of account</i>	<i>Value in pak rupees</i>	<i>Hair Cut / Adjustments</i>	<i>Net adjusted value</i>
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>	-	754,775	754,775
		<u>213,695,425</u>	Liquid Capital	<u>162,564,636</u>

*Calculations Summary of Liquid Capital*

(i)	Adjusted value of Assets (serial number 1.19)	170,327,189
(ii)	Less: Adjusted value of liabilities (serial number 2.5)	7,007,778
(iii)	Less: Total ranking liabilities (serial number 3.11)	754,775
		<u>162,564,636</u>

**37 NUMBER OF EMPLOYEES**

The total number of employees including dealers at year end were 18 (2021: 18) and average number of employees including dealers during the year was 18 (2021: 16).

**38 DATE OF AUTHORIZATION TO ISSUE**

These financial statements have been authorized for issue by the Board of Directors of the Company on  
05 SEP 2022.

**39 GENERAL**

Figures have been rounded off to the nearest rupee.



*Chief Executive*



*Director*