

ABA ALI HABIB SECURITIES (PRIVATE) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020

ABA ALI HABIB SECURITIES (PRIVATE) LIMITED

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ABA ALI HABIB SECURITIES (PRIVATE) LIMITED**

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Aba Ali Habib Securities (Private) Limited** (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit, 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 Auditor's 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 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.

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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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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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 comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

The engagement partner on the audit resulting in this independent auditor's report is **Ahsan Elahi Vohra - FCA**

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Chartered Accountants

Dated : 07 OCT 2020
Karachi :

ABA ALI HABIB SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Notes	2020 ----- (Rupees) -----	2019
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
20,000,000 (2019: 20,000,000) Ordinary Shares of Rs. 10/- each		<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid-up capital	6	<u>200,000,000</u>	<u>200,000,000</u>
Unappropriated profit		<u>376,549,184</u>	<u>373,914,111</u>
		576,549,184	573,914,111
Non Current liabilities			
Deferred taxation	7	853,602	1,207,954
Current liabilities			
Short term loans from related parties- unsecured	8	-	68,143,873
Trade and other payables	9	147,169,047	134,895,116
Short term borrowings	10	420,201,208	223,377,350
Accrued markup		4,653,368	2,479,257
		<u>572,023,623</u>	<u>428,895,596</u>
		<u>1,149,426,409</u>	<u>1,004,017,661</u>
Contingencies and commitments	11	-	-
ASSETS			
Non-current assets			
Property and equipment	12	9,562,286	11,952,857
Intangible assets	13	2,500,000	2,500,000
Long term deposits	14	1,685,000	2,115,000
		<u>13,747,286</u>	<u>16,567,857</u>
Current assets			
Trade debts - considered good	15	31,844,878	163,262,774
Short term investment	16	852,743,991	589,546,743
Short term deposits	17	2,735,807	15,531,015
Advances and other receivables	18	2,314,865	68,461,685
Advance tax - net of provision		120,745,578	117,958,982
Cash and bank balances	19	125,294,004	32,688,605
		<u>1,135,679,123</u>	<u>987,449,804</u>
		<u>1,149,426,409</u>	<u>1,004,017,661</u>

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

S. M. Idris
Chief Executive

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A. M. U.
Director

ABA ALI HABIB SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 ----- (Rupees) -----	2019 -----
Operating revenue	20	75,822,214	86,515,553
Capital loss on sale investments		(5,228,661)	(1,523,457)
Gain/(Loss) on re-measurement of investments - at fair value through profit or loss		6,002,559	(75,310,342)
		<u>76,596,112</u>	<u>9,681,754</u>
Administrative expenses	21	(73,199,719)	(71,236,943)
Operating loss		<u>3,396,392</u>	<u>(61,555,189)</u>
Other income	22	16,927,315	15,517,204
		<u>20,323,707</u>	<u>(46,037,985)</u>
Finance cost	23	(14,941,312)	(17,383,018)
Profit/(Loss) before taxation		<u>5,382,395</u>	<u>(63,421,003)</u>
Taxation	24	(2,747,323)	(1,946,783)
Profit/(Loss) after taxation for the year		<u><u>2,635,073</u></u>	<u><u>(65,367,786)</u></u>
Earning/(Loss) per share - basic and diluted	25	<u><u>0.13</u></u>	<u><u>(3.27)</u></u>

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

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Chief Executive


Director

ABA ALI HABIB SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	----- (Rupees) -----	
Profit/(Loss) after taxation for the year	2,635,073	(65,367,786)
Other comprehensive income		
Total comprehensive income (loss) for the year	<u>2,635,073</u>	<u>(65,367,786)</u>

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

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Chief Executive


Director

**ABA ALI HABIB SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020**

	Issued, subscribed and paid-up capital	Unappropriated profit	Total
Balance as at June 30, 2019	200,000,000	439,281,897	639,281,897
Total Comprehensive income for the year ended June 30, 2019		(65,367,786)	(65,367,786)
Balance as at June 30, 2019	200,000,000	373,914,111	573,914,111
Total Comprehensive income for the year ended June 30, 2020		2,635,073	2,635,073
Balance as at June 30, 2020	200,000,000	376,549,184	576,549,184

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

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Chief Executive


Director

ABA ALI HABIB SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	5,382,395	(63,421,003)
Adjustments for :		
- Depreciation	2,390,571	1,656,719
- Capital Loss on sale of investment	5,228,661	1,523,457
- Unrealized gain/loss in the value of investment at 'fair value through profit or loss'	(6,002,559)	75,310,342
- Dividend income	(13,183,140)	(13,359,577)
- Finance income	(2,255,158)	(1,379,508)
- Finance cost	14,941,312	17,383,018
	1,119,687	81,134,451
Cash generated from operating activities before working capital changes	6,502,082	17,713,448
Decrease /(Increase) in current assets:		
Trade debts - considered good	131,417,896	(147,036,295)
Advances and other receivables	66,146,820	20,222,044
Short term deposits	12,795,208	7,919,294
Increase / (decrease) in current liabilities:		
Trade and other payables	12,273,931	65,276,113
	222,633,855	(53,618,844)
Finance cost paid	(12,767,201)	(28,347,927)
Taxes paid	(5,888,270)	(28,098,873)
Net cash generated from/(used in) operating activities	210,480,465	(92,352,196)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	-	(9,130,250)
Payment for / proceeds from short term investment	(262,423,350)	587,747,072
Dividend income	13,183,140	13,607,877
Finance income	2,255,158	1,379,508
Long term deposits	430,000	-
Net cash (used in)/generated from investing activities	(246,555,051)	593,604,207
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term loans from related parties- unsecured	(68,143,873)	(2,914,330)
Short term borrowings	196,823,858	(505,849,355)
Net cash generated from/(used in) financing activities	128,679,985	(508,763,685)
Net increase/(decrease) in cash and cash equivalents during the year	92,605,399	(7,511,674)
Cash and cash equivalents at the beginning of the year	32,688,605	40,200,279
Cash and cash equivalents at the end of the year	125,294,004	32,688,605

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

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 Chief Executive


 Director

ABA ALI HABIB SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

Aba Ali Habib Securities (Private) Limited The company was incorporated on 8th May 1996 as a private limited company under the repealed Companies Ordinance, 1984 (repealed with the enactment of the Companies Act, 2017 on May 30, 2017).

The Company is a TREC (Trading Right Entitlement Certificate) holder of Pakistan Stock Exchange Limited (Formerly: Karachi Stock Exchange Limited). The Company is principally engaged in brokerage of shares, stocks, securities, securities research and other related jobs. The registered office of the company is 419, Stock Exchange 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 for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of such International Financial Reporting Standards (IFRS Standards), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the "Act"); and provisions of and directives issued under the Act. Where the provisions of and directives issued under the Companies Act,2017 differ from the IFRS standard, the provisions of and directives issued under the Companies Act,2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention except, for certain property and equipment and intangible assets, which have been stated at revalued amounts and financial assets and financial liabilities which have been stated at their fair values.

2.3 Functional and presentation currency

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

2.4 Significant accounting estimates and judgements

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

The estimates and associated assumptions are based on historical experience, industry trends, legal and technical pronouncements and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the 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 are revised. Significant areas requiring the use of management estimates in these financial statements relate to the following:

- (a) determination of the residual values and useful lives of property and equipments and intangible assets (note 5.1 & 5.2)
- (b) Trade debts (note 5.8)
- (c) current tax and deferred tax (note 5.10)
- (d) Provisions (note 5.13)

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3 Standards and amendments to published approved accounting and reporting standards that are not yet effective:

There is a new standard and certain amendments and an interpretation to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2020. However, the standard, amendments and interpretation will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements.

INITIAL APPLICATION OF IFRS 16

An overview of the new lease accounting requirements for lessees

With effect from July 01, 2019, the Company has adopted the International Financial Reporting Standard (IFRS) 16 Leases which replaced the previous lease accounting requirements contained in IAS 17 Leases, IFRIC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC Interpretation 15 Operating Leases— Incentives and SIC Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single on-balance sheet lease accounting model for lessees whereby, at the date of commencement of lease, a lessee is required to recognize a right-of-use asset and a lease liability (except in case short term leases and leases of low value assets). The right-of-use asset represents the lessee's right to use an underlying asset during the lease term and the corresponding lease liability represents the lessee's obligation to make payments to the lessor for providing the right to use that asset. In the IASB's view, this new lessee accounting model reflects the economics of a lease because, at the commencement date, a lessee obtains the right to use an underlying asset for a period of time, and the lessor had delivered that right by making the asset available for use by the lessee.

The aforesaid new accounting model materially differs from the previous lease accounting requirements for lessees risks and rewards incidental to ownership were substantially transferred to the lessee. Under the previous standard, at the commencement of the lease term, the lessee recognized finance leases as assets and liabilities in its statement of financial position. However, the lessee recognized the payments made under operating leases as an expense on a straight line basis over the lease term unless another systematic basis was more representative of the time pattern of the user's benefit.

Method of transition to the new lease accounting model

IFRS 16 specifies that a lessee shall apply the standard to its leases either retrospectively to each prior reporting period presented applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ('the full retrospective method') or retrospectively with the cumulative effect of initially applying the standard recognized as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application without restating comparative information ('the cumulative catch-up transition method').

As of the date of initial application (i.e. of July 01, 2019), the Company measured the right-of-use asset and the related lease liability (arising from its rights under lease arrangements existing as of that date) as follows:

(a) As permitted under paragraph C8(b) of IFRS 16, the Company measured the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of related prepaid lease payments recognized in its statement of financial position as on June 30, 2019.

(b) The Company measured the lease liability at the present value of the remaining lease payments, discounted using its aforementioned incremental borrowing rate of 8.89% per annum as of July 01, 2019.

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Accounting Policy With Respect To Subsequent Measurement Of The Right-Of-Use Asset And The Corresponding Lease Liability

Right -of-use asset

After the commencement date, the Company measures the right-of-use asset applying a cost model whereby the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability.

The right-of-use asset is depreciated on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the lease transfers ownership of the that the Company will exercise a purchase option in which case the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset.

Lease liability

After the commencement date, the Company measures the lease liability by:

- (a) increasing the carrying amount to reflect interest on the lease liability;
- (b) reducing the carrying amount to reflect the lease payments made; and
- (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

5 SUMMARY SIGNIFICANT ACCOUNTING POLICIES

5.1 Property and equipment

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies and methods of computation have been consistently applied to all the periods presented, unless otherwise stated.

Owned

Property and equipment (except for office premises) are stated at cost less accumulated depreciation and impairment losses, if any. Office premises are stated at revalued amount less accumulated depreciation and impairment loss, if any.

Depreciation is charged to profit and loss account by applying the reducing balance method systematically on yearly basis at the rates specified in note 10. Depreciation on additions to property and equipment is charged from the month in which an item is acquired while no depreciation is charged in the month the item is disposed off. Surplus on revaluation of property and equipment is credited to surplus on revaluation of fixed assets account. To the extent of incremental depreciation charged on revalued assets, the related surplus on revaluation of fixed assets - net of deferred tax is transferred directly to equity.

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If such an indication exists the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the estimated recoverable amount, assets are written down to the recoverable amount; and the impairment losses are recognised in the profit and loss account.

The residual value, depreciation method and the useful lives of each part of property and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date.

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Gains and losses on disposal of assets, if any are included in profit and loss account for the current year.

Normal repairs and maintenance costs are charged to profit and loss account in the period of its occurrence, while major renovations and improvements are capitalized only when it is probable that the future economic benefits associated with the item will flow to the entity and its cost can be measured reliably. Disposal of assets is recognized when significant risk and rewards incidental to the ownership have been transferred to the buyers.

Leased

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of the leases are accounted for as liabilities. Assets acquired under finance lease are depreciated over the useful life of the assets by applying straight line method systematically on yearly basis at the rates specified in note 10.

5.2 Intangible assets

This represents Trading Right Entitlement Certificate of Pakistan Stock Exchange.

TRE Certificate is considered to have indefinite useful life and stated at revalued amount. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and when carrying value exceeds estimated recoverable amount, these are written to their estimated recoverable amount.

5.3 Borrowing costs

Borrowing costs are interest or other costs incurred by the Company in connection with the borrowing of funds. Borrowing cost that is directly attributable to a qualifying asset, i.e., an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, is capitalized as part of cost of that asset. All other borrowing costs are charged to income in the period in which they are incurred.

5.4 Financial assets

5.5.1 Classification and initial measurement

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

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

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets at FVOCI

A financial asset is classified as at fair value through other comprehensive income when either:

- (a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; or
- (b) it is an investment in equity instrument which is designated as at fair value through other comprehensive income in accordance with the irrevocable election available to the Company to at initial recognition.

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

(c) *Financial assets at FVTPL*

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, as aforesaid.

Such financial assets are initially measured at fair value.

5.5.2 Subsequent measurement

(a) *Financial assets measured at amortized cost*

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

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

(b) *Financial assets at FVOCI*

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

A gain or loss on a financial asset measured at fair value through other comprehensive income in accordance is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (except for investments in equity instruments which are designated as at fair value through other comprehensive income in whose case the cumulative gain or loss previously recognized in other comprehensive income is not so reclassified). Interest is calculated using the effective interest method and is recognised in profit or loss.

(c) *Financial assets at FVTPL*

These assets are subsequently measured at fair value.

Net gains or losses arising from remeasurement of such financial assets as well as any interest income accruing thereon are recognized in profit and loss account.

5.5.3 Impairment

The Company's only financial asset that is subject to the impairment requirements of IFRS 9 is trade receivables.

The Company applies the IFRS 9 'Simplified Approach' to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Company measures expected credit losses on trade receivables in a way that reflects an unbiased and probability-weighted amount, time value of money and reasonable and supportable information at the reporting date about the past events, current conditions and forecast of future economic conditions. The Company recognises in profit and loss account, as an impairment loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

5.5.4 De-recognition

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

5.5 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 and loss account.

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.

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5.6 Non-financial assets

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

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount of the asset. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognized.

5.7 Long term deposits

These are stated at cost which represents the fair value of consideration given.

5.8 Trade debts

Trade and other receivables are recognized at fair value and subsequently measured at amortised cost less impairment losses, if any. Actual credit loss experience over past years is used to base the calculation of expected credit loss. Trade and other receivables considered irrecoverable are written off.

5.10 Taxation

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 balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is not recognised for the following temporary differences; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill. be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted.

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

5.11 Revenue recognition

Revenue is recognized to the extent that it 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. Revenue is recognized on the following basis:

- Brokerage income is recognized as and when such services are provided.
 - Interest income is recognized at effective yield on time proportion basis.
 - Dividend income is recorded when the right to receive the dividend is established.
- Unrealized capital Gains / (losses) arising from mark to market of investments classified as at financial assets at fair value through profit or loss are included in profit and loss account for the period in which they arise.

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5.12 Expenses

All expenses are recognized in the profit and loss account on an accrual basis.

5.13 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

5.14 Creditors, accrued and other liabilities

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in future for goods and services received.

5.15 Dividend

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

5.16 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand, current and deposit accounts held with banks. Running finance facilities availed by the Company, which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of cash flow statement.

5.17 Earning per share

Earning per share is calculated by dividing the profit after taxation for the year by the weighted average number of shares outstanding during the year.

5.18 Impact of COVID-19

The COVID-19 pandemic caused significant and unprecedented curtailment in economic and social activities during the period from March 2020 in line with the government directives. This situation posed a range of business and financial challenges to business globally and across various sectors including financial markets in Pakistan. The management had analysed the events as these are indicative of conditions for a review of recoverable amounts of assets of the Company and consequently concluded that there is no significant change in recoverable amounts of Company's assets at the reporting date. Further, the management based on its assessment considered that there would be no significant impact that will adversely affect its businesses, results of operations and financial condition in future period also.

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	Note	2020 ----- (Rupees) -----	2019 ----- (Rupees) -----
6 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
This comprises fully paid-up ordinary shares of Rs. 10 each as follows:			
		2020 ----- (No. of shares) -----	2019
		6,500,000	6,500,000
		13,500,000	13,500,000
		<u>20,000,000</u>	<u>20,000,000</u>
7 DEFERRED TAXATION			
Opening deferred tax liability/(asset)		1,207,954	(194,965)
(Reversal)/Charge during the year		(354,352)	1,402,919
Closing deferred tax liability		<u>853,602</u>	<u>1,207,954</u>
Deferred tax liability arising in respect of			
Accelerated tax depreciation allowance		<u>2,943,454</u>	<u>4,165,359</u>
8 SHORT TERM LOAN FROM RELATED PARTIES-UNSECURED			
Payable to Abid Ali Habib Securities (Private) Limited		-	68,143,873
		<u>-</u>	<u>68,143,873</u>
9 TRADE AND OTHER PAYABLES			
Trade payables	9.1	123,779,699	42,541,942
Future Profit and Cash Margin withheld		18,513,872	82,681,032
Sales tax payable		431,947	320,135
Withholding tax payable		315,966	2,024,268
Capital value tax		-	82,619
CDC and NCSS payable		830,824	531,190
Accrued expenses		602,238	5,267,280
Dealer payable		1,266,399	189,843
Other payables		1,428,101	1,256,807
		<u>147,169,047</u>	<u>134,895,116</u>

9.1 This includes amounting to Rs. 68,143,873 pertaining to related party (2019: Nil)

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	Note	2020 ----- (Rupees) -----	2019 -----
10 SHORT TERM BORROWING - SECURED			
From banking companies and other financial institutions other than related parties:			
JS Bank Limited	10.1	116,269,176	-
Soneri Bank Limited	10.2	131,004,908	72,569,970
Askari Bank Limited	10.3	1,259,264	115,881,750
Bank Alfalah Limited	10.4	171,667,860	34,925,630
		<u>420,201,208</u>	<u>223,377,350</u>
10.1	The Company has a running finance facility amounting upto Rs. 300 million (2019: Nil) from the JS Bank Limited. This arrangement carries mark-up @ 1 month KIBOR + 2% per annum. This arrangement is secured by pledge of shares and personal guarantee of director Mr. Aba Ali Habib.		
10.2	The Company has a running finance facility amounting upto Rs. 300 million (2019: 300 million) from Soneri Bank Limited . This arrangement carries mark-up @ 3 months KIBOR + 1.5% per annum . This arrangement is secured against pledge of shares of companies registered in CDC on as per bank's approved list at margin of 30%-50% and personal guarantees of director Mr. Aba Ali Habib.		
10.3	The Company has a running finance facility amounting upto Rs. 300 million (2019: 300 million) from the Askari Bank Limited for one year. This arrangement carries mark-up @ 3 months KIBOR + 1.75% per annum. This arrangement is secured against pledges over shares/ Third party shares as per bank's approved FAS list. Facility to be allowed against 'A' , 'B' & C category scripts with 30%, 40% & 50% margin respectively and personal guarantees of director Mr. Aba Ali Habib.		
10.4	The Company has a running finance facility amounting upto Rs. 200 million (2019: 200 million) from the Bank alfalah Limited for one year. This arrangement carries mark-up @ 3 months KIBOR + 1.5% per annum. This arrangement is secured against pledge of shares in CDC acceptable to BAFL as per RMD approved list valuing Rs. 333.333 M with 40% margin or as per SBP requirement whichever is high and personal guarantees of directors Mr. Aba Ali Habib and Mr. Zahid Ali Habib.		
11 CONTINGENCIES AND COMMITMENTS			
	Contingencies		
	A bank guarantee of Rs.35 million (2019: Rs.35 million) has been provided to Pakistan Stock Exchange- National Clearing Company of Pakistan Limited for deposit of Margin/Exposure to Pakistan Stock Exchange/National Clearing Company of Pakistan Limited against the security of pledge of shares and personal guarantee of only one sponsor director Mr. Aba Ali Habib.		
	Commitments		
	There are no commitments as at June 30, 2020 (2019: Nil).		
12 PROPERTY AND EQUIPMENT	12.1	<u>9,562,286</u>	<u>11,952,857</u>
13 INTANGIBLE ASSETS			
Trading Right Entitlement Certificate	13.1	2,500,000	2,500,000
		<u>2,500,000</u>	<u>2,500,000</u>
13.1	These represent Trading Right Entitlement Certificate (TREC) received from Pakistan Stock Exchange in accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012.		

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	Note	2020 ----- (Rupees) -----	2019 -----
14 LONG TERM DEPOSITS			
Clearing house deposit		200,000	100,000
Pakistan Stock Exchange		10,000	10,000
LSE Clearing / NCSS deposit		-	330,000
Booth deposit		75,000	75,000
SLB exposure		100,000	100,000
National Clearing Company of Pakistan Limited		1,200,000	1,300,000
Central Depository Company		100,000	200,000
		<u>1,685,000</u>	<u>2,115,000</u>
15 TRADE DEBTS - CONSIDERED GOOD			
Receivable under Margin Finance		24,265,385	157,734,336
Trade debts- considered good	15.1	7,579,494	5,528,438
		<u>31,844,878</u>	<u>163,262,774</u>
15.1 Aging analysis			
Within 5 days		3,656,509	3,415,235
Above 5 days		3,922,985	2,113,203
		<u>7,579,494</u>	<u>5,528,438</u>
16 SHORT TERM INVESTMENTS - (at fair value through profit or loss)			
Quoted equity securities		844,304,241	581,106,993
Unquoted equity securities		8,439,750	8,439,750
		<u>852,743,991</u>	<u>589,546,743</u>
17 SHORT TERM DEPOSITS			
Future deposit with PSX and Others	17.1	<u>2,735,807</u>	<u>15,531,015</u>
17.1	These represents amounts of deposits held at the year end against exposure arising out of trading in securities in accordance with the regulation of PSX and NCCPL, respectively.		
18 ADVANCES AND OTHER RECEIVABLES			
Receivable from PSX		-	67,652,330
Advance to staff		275,747	25,092
Other receivables		2,039,118	784,263
		<u>2,314,865</u>	<u>68,461,685</u>
19 CASH AND BANK BALANCES			
In hand		3,566	2,409
At banks:			
- Current accounts		124,635,961	32,354,775
- Saving accounts		654,477	331,421
		<u>125,294,004</u>	<u>32,688,605</u>
19.1	The interest rates on saving accounts range from 10% to 15% per annum (2019: from 10% - 15%).		

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	Note	2020 ----- (Rupees) -----	2019 -----
20 OPERATING REVENUE			
Brokerage income		51,531,196	43,509,139
Income from MFS & MTS		20,519,017	38,077,126
IPO and book building commission		3,772,000	3,587,151
Account Maintenance Charges		-	1,342,137
		<u>75,822,214</u>	<u>86,515,553</u>
21 ADMINISTRATIVE AND OPERATING EXPENSE			
Salaries, Commission and allowances		36,617,662	41,028,330
Electricity charges		2,562,076	951,153
Rent expense		839,600	715,520
Laga expenses		16,667,155	15,944,254
CDC charges		2,342,345	2,285,031
Travelling expenses		175,881	116,203
Office repair and maintenance		885,980	809,637
Legal and professional charges		599,675	790,098
Auditors' remuneration	21.1	325,000	325,000
Telephone and mobile		825,813	756,005
Depreciation		2,390,571	1,656,719
Printing and stationery		225,850	147,575
Computer hardware and software fees		2,790,196	1,967,908
Entertainment expenses		989,015	333,470
Vehicle running expense		461,990	274,116
IT service		-	713,500
Miscellaneous and general expenses		1,265,319	654,039
Donations		2,709,777	820,072
Courier and Postage		55,814	64,988
Marketing		470,000	883,325
		<u>73,199,719</u>	<u>71,236,943</u>
21.1 Auditors' remuneration			
Audit fee		125,000	125,000
Other certifications		200,000	200,000
		<u>325,000</u>	<u>325,000</u>
22 OTHER INCOME			
Profit on bank deposit		2,255,158	1,379,508
Profit on PSX margin		1,489,016	778,119
Dividend income on shares		13,183,140	13,359,577
		<u>16,927,315</u>	<u>15,517,204</u>
23 FINANCE COST			
Bank charges		581,317	945,439
Mark-up on running finance		14,359,995	16,437,579
		<u>14,941,312</u>	<u>17,383,018</u>

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	Note	2020 ----- (Rupees) -----	2019 -----
24 TAXATION			
Current tax		3,101,675	543,864
Deferred (income)/expense		(354,352)	1,402,919
		<u>2,747,323</u>	<u>1,946,783</u>
25 EARNING/(LOSS) PER SHARE - BASIC AND DILUTED			
Profit/(Loss) after taxation for the year		<u>2,635,073</u>	(65,367,786)
Weighted average number of ordinary shares	(No. of shares)	<u>20,000,000</u>	<u>20,000,000</u>
Earning/(Loss) per share - basic and diluted		<u>0.13</u>	(3.27)

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26 REMUNERATION OF THE CHIEF EXECUTIVE AND DIRECTORS

The aggregate amounts charged in these financial statements in respect of remuneration including benefits applicable to the chief executive and directors of the Company are given below:

	2020		2019	
	Chief Executive	Director	Chief Executive	Director
	Rupees			
Basic	720,000	1,083,725	498,039	-
Conveyance	240,000	361,242	166,013	-
Utility	180,000	270,931	124,510	-
House rent allowance	60,000	90,310	41,503	-
Total	1,200,000	1,806,209	830,065	-
No of person(s)	1	2	1	3

26.1 The Chief Executive Officer is provided with the Company maintained car, in accordance with the Company's policy.

27 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

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

27.1 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 placement or other arrangements to fulfill 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 from trade debts, loans and advances, trade deposits, bank balances and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits accordingly 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 risk 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 salted / paid for upon delivery.

The maximum exposure to credit risk at the reporting date is as follows:

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	Note	Carrying amount	
		2020	2019
		----- (Rupees) -----	
Long term deposits	14	1,685,000	2,115,000
Trade debts - considered good	15	31,844,878	163,262,774
Short term deposits	17	2,735,807	15,531,015
Advances and other receivables	18	2,314,865	68,461,685
Bank balances	19	125,294,004	32,688,605
		<u>163,874,554</u>	<u>282,059,079</u>

All balances are denominated in local currency.

Bank Balances

The analysis below summarizes the credit quality of the Company's bank balances (including profit receivables) as at June 30, 2020 and June 30, 2019:

	2020	2019
----- (Rupees) -----		
Bank balances	<u>654,477</u>	<u>331,421</u>

The credit quality of the Company's cash and cash equivalents, held with various commercial banks and financial institutions is assessed with reference to external credit ratings thereof, ranging from AAA to BBB assigned by reputable credit rating agencies.

27.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulties 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 positions 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:

Carrying amount	2020				
	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	-----Rupees-----				
Financial liabilities					
Trade and other payables	147,169,047	147,169,047	-	-	-
Accrued mark-up	4,653,368	4,653,368	-	-	-
	<u>151,822,416</u>	<u>151,822,416</u>	-	-	-
Carrying amount	2019				
	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	-----Rupees-----				
Financial Liabilities					
Trade and other payables	134,895,116	134,895,116	-	-	-
Accrued mark-up	2,479,257	2,479,257	-	-	-
	<u>137,374,373</u>	<u>137,374,373</u>	-	-	-

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27.3 Market risk

Market risk is the risk that the value of a financial instruments may fluctuate as a result of changes in market interest rates or the market prices due to a change in credit rating of the issuer of the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company manage market risk by monitoring exposure on marketable securities by following the internal risk management and investment policies and guidelines. The Company is exposed to interest rate risk and other price risk only.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was as follows:

	Carrying amount	
	2020	2019
	----- (Rupees) -----	
<i>Fixed rate investment</i>		
- Bank balances in profit and loss sharing accounts	<u>654,477</u>	<u>331,421</u>

The Company does not have any fixed rate financial instrument at fair value through profit or loss.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates. The Company, at present, is not exposed to currency risk as all transactions are carried out in Pak Rupees.

Other price risk

Other price risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of change in market prices (other than arising from interest rate risk or currency risk) whether those changes are caused by factors specified to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

Presently, the Company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities.

Interest rate sensitivity analysis

A summary of the Company's interest rate gap position, categorized by the earlier of contractual re-pricing or maturity dates as at year end was as follows:

	2020			Total
	Effective rate of mark-up / return (%)	Exposed to interest rate risk	Not exposed to interest rate risk	
	-----Rupees-----			
<i>Financial assets</i>				
Long term deposits	-	-	1,685,000	1,685,000
Trade debts	-	-	31,844,878	31,844,878
Advances and other receivables	-	-	2,735,807	2,735,807
Short term deposits	-	-	2,314,865	2,314,865
Bank balances	10% to 15%	654,477	124,639,527	125,294,004
		<u>654,477</u>	<u>163,220,079</u>	<u>163,874,555</u>

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Financial liabilities

Long term loans	-	-	-
Trade and other payables	-	147,169,047	147,169,047
Short term loans from related parties- unsecured			-
short term borrowings	Variable	420,201,208	-
Accrued mark-up	Variable	4,653,368	-
		424,854,576	147,169,047
			572,023,623
Cumulative gap		(424,200,099)	16,051,031
			(408,149,068)

2019

	Effective rate of mark-up / return (%)	Exposed to interest rate risk	Not exposed to interest rate risk	Total
-----Rupees-----				
Financial assets				
Long term deposits	-	-	2,115,000	2,115,000
Trade debts	-	-	163,262,774	163,262,774
Advances and other receivables	-	-	15,531,015	15,531,015
Short term deposits	-	-	68,461,685	68,461,685
Bank balances	10% to 15%	331,421	32,357,184	32,688,605
		331,421	281,727,659	282,059,079

Financial liabilities

Long term loans			-	-
Trade and other payables	-	-	134,895,116	134,895,116
Short term loans from related parties- unsecured			68,143,873	
short term borrowings	Variable	223,377,350	-	223,377,350
Accrued mark-up	Variable	2,479,257		2,479,257
		225,856,607	203,038,989	360,751,723
Cumulative gap		(225,525,186)	78,688,669	(78,692,644)

Operational risk

Operational risk is the risk of direct and indirect loss arising from a wide variety of causes associated with the 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 risk such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risk arise from all of the Company's activities.

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

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirement for the reconciliation and monitoring of transaction;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirement for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

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28 MEASUREMENT OF FAIR VALUES

A number of the company's accounting policies and disclosure require the measurement of fair values, for both financial, if any and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (Unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quote prices included in Level 1 that are observables for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the management recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

At the year end, following financial instrument is carried at fair value which requires classification in the above mentioned levels

	2020			
	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
Financial Asset				
Carried as Available for sale investment	-	-	-	-

	2019			
	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
Financial Asset				
Carried as Available for sale investment	-	-	-	-

The company values its intangible assets at revalued amounts, consequently, they are stated at revalued amount, being the fair value at the date of revaluation, less any subsequent amortization and subsequent impairment losses, if any.

Details of the company's intangible assets and information about their fair value hierarchy as at June 30, 2020 and June 30, 2019 are as follows

	2020			
	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
Trading Right Entitlement Certificate (TREC)	-	2,500,000	-	2,500,000
As at June 30, 2020	-	2,500,000	-	2,500,000

	2019			
	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
Trading Right Entitlement Certificate (TREC)	-	2,500,000	-	2,500,000
As at June 30, 2019	-	2,500,000	-	2,500,000

There were no transfers between levels of hierarchy during the year.

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CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence, sustain future development of the business, safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitor the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitor the level of dividend to ordinary shareholders.

There were no changes in Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

29 CAPITAL ADEQUACY LEVEL

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

Net Capital and Liquid Capital 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 current assets over current liabilities.

The Capital adequacy level as required by CDC is calculated as follows:

	2020	2019
	----- (Rupees) -----	
Total assets	1,149,426,409	1,004,017,661
Total liabilities	(572,023,623)	(428,895,596)
Revaluation reserve	-	-
Capital adequacy level	<u>577,402,786</u>	<u>575,122,065</u>

While determining the value of the total assets of the TREC holder, notional value of the TRE certificate as at year ended as determined by Pakistan Stock Limited has been considered.

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29.1 NET CAPITAL BALANCE

DESCRIPTION	VALUATION BASIS	VALUE (Amount in Rupees)	
<u>CURRENT ASSETS</u>			
Cash in hand	As per book value	3,566	
Cash at bank:			
- Pertaining to brokerage house	As per book value	726,820	
- Pertaining to clients	As per book value	124,563,618	
- Deposit against exposure and losses with Pakistan Stock Exchange		2,735,807	
Total bank balances	As per book value	<u>128,029,811</u>	
Trade Receivable			
	Book Value	7,579,494	
	Less: overdue for more than 14 days	<u>(2,678,184)</u>	4,901,310
Investment in Listed Securities in the name of broker			
	Market value	808,827,058	
	Less: 15% discount	<u>(121,324,059)</u>	687,502,999
Securities purchased for client	Securities purchased for the client and held by the member where the payment has not been received within 14 days.		<u>513,263</u>
Listed Term Finance Certificates/Corporate Bonds (Not less than BBB grade)	Market value		
	Less: 10% discount	<u>-</u>	
Federal Investment Bonds	Market value	-	
	Less: 5% discount	<u>-</u>	
Treasury bills	Market value		<u>820,947,383</u>
<u>CURRENT LIABILITIES</u>			
Trade Payable	Book value	123,779,699	
	Less: Overdue for more than 30 days	<u>(19,880,519)</u>	103,899,180
Other liabilities	As classified under the generally accepted accounting principles.		468,124,443
			<u>572,023,622</u>
			<u>248,923,761</u>
NET CAPITAL AS AT JUNE 30, 2020			<u><u>248,923,761</u></u>

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Computation of Liquid Capital				
As on June 30, 2020				
S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.1	Property & Equipment	9,562,286	100.00%	-
1.2	Intangible Assets	2,500,000	100.00%	-
1.3	Investment in Govt. Securities (150,000*99)			
Head of Account				
If listed than:				
1.4	i. 5% of the balance sheet value in the case of tenure upto 1 year.		5.00%	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.		7.50%	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.		10.00%	-
	If unlisted than:			
1.4	i. 10% of the balance sheet value in the case of tenure upto 1 year.		10.00%	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.		12.50%	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.		15.00%	-
Investment in Equity Securities				
1.5	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.	808,827,058	171,598,563	637,228,494
	ii. If unlisted, 100% of carrying value.	8,439,750	100.00%	-
	iii. Subscription money against Investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.			
1.6	Investment in subsidiaries		100.00%	-
Investment in associated companies/undertaking				
1.7	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.		100.00%	-
	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.		100.00%	-
1.9	Margin deposits with exchange and clearing house.			
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	100.00%	-
1.11	Other deposits and prepayments			
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil)			
	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties		100.00%	-
1.13	Dividends receivables.			
1.14	Amounts receivable against Repo financing.			
	Amount paid as purchaser under the REPO agreement. (<i>Securities purchased under repo arrangement shall not be included in the investments.</i>)			
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	275,747	0.00%	275,747
	ii. Receivables other than trade receivables		100.00%	-
Receivables from clearing house or securities exchange(s)				
1.16	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.			
Receivables from customers				
1.17	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. <i>i. Lower of net balance sheet value or value determined through adjustments.</i>	24,265,385	-	24,265,385
	ii. In case receivables are against margin trading, 5% of the net balance sheet value. <i>ii. Net amount after deducting haircut</i>		5.00%	-
	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, <i>iii. Net amount after deducting haircut</i>			
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. <i>iv. Balance sheet value</i>	3,656,509		3,656,509
	v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. <i>v. Lower of net balance sheet value or value determined through adjustments</i>	3,922,985	3,922,985	-
	vi. <i>100% haircut in the case of amount receivable form related parties.</i>		100.00%	-
Cash and Bank balances				
1.18	I. Bank Balance-proprietary accounts	726,820		726,820
	ii. Bank balance-customer accounts	124,563,618		124,563,618
	iii. Cash in hand	3,566		3,566

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1.19	Total Assets		986,743,723		790,720,139
2. Liabilities					
Trade Payables					
2.1	i. Payable to exchanges and clearing house				
	ii. Payable against leveraged market products				
	iii. Payable to customers		123,779,699		123,779,699
Current Liabilities					
i. Statutory and regulatory dues					
ii. Accruals and other payables					
iii. Short-term borrowings					
iv. Current portion of subordinated loans					
2.2	v. Current portion of long term liabilities				
	vi. Deferred Liabilities		853,602		853,602
	vii. Provision for bad debts				
	viii. Provision for taxation				
	ix. Other liabilities as per accounting principles and included in the financial statements				
Non-Current Liabilities					
i. Long-Term financing					
a. Long-Term financing obtained from financial instituon: 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:					
2.3	a. The existing authorized share capital allows the proposed enhanced share capital				
	b. Boad 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				
Subordinated Loans					
i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified:					
2.4	a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period				
	b. No haircut will be allowed against short term portion which is repayable within next 12 months.				
	c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.				
	ii. Subordinated loans which do not fulfill the conditions specified by SECP				
2.5	Total Liabilities		572,877,225		572,877,225
3. Ranking Liabilities Relating to :					
Concentration in Margin Financing					
3.1	The amount calculated client-to- client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.				22,441,858
Concentration in securites lending and borrowing					
The amount by which the aggregate of:					
3.2	(i) Amount deposited by the borrower with NCCPL				
	(ii) Cash margins paid and				
	(iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed				
Net underwriting Commitments					
(a) in the case of right issue : if the market value of securites is less than or equal to the subscription price; the aggregate of:					
3.3	(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) in any other case : 12.5% of the net underwriting commitments					
Negative equity of subsidiary					
3.4	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary				

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Foreign exchange agreements and foreign currency positions			
3.5	5% of the net position in foreign currency. Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency		
3.6	Amount Payable under REPO		
Repo adjustment			
3.7	In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying 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.		
3.8	Concentrated proprietary positions 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		
Opening Positions in futures and options			
3.9	i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/ pledged with securities exchange after applying VaR haircuts ii. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met		
Short sell positions			
3.10	i. In case of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts ii. In case of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.		
3.11	Total Ranking Liabilities	-	22,441,858

Calculations Summary of Liquid Capital

- (i) Adjusted value of Assets (serial number 1.19)
(ii) Less: Adjusted value of liabilities (serial number 2.5)
(iii) Less: Total ranking liabilities (series number 3.11)

790,720,139
(572,877,225)
(22,441,858)
195,401,056

Note: Commission may issue guidelines and clarifications in respect of the treatment of any component of Liquid Capital including any modification, deletion and inclusion in the calculation of Adjusted value of assets and liabilities to address any practical difficulty.

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30 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties comprise associated companies, directors and key management personnel and close family members of the directors. Transactions with related parties may be carried at negotiated rates. Remuneration and benefits to executives of the Company are in accordance with the terms of their employment.

Transactions with related parties are entered into at rates negotiated with them. Details of transactions and balances with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

30.1 Directors	2020	2019
	----- (Rupees) -----	
Short term loan from related parties		
Opening balance	-	2,914,330
Received during the year	-	-
Repayments during the year	-	(2,914,330)
Closing balance	<u>-</u>	<u>-</u>
30.2 Associated companies		
Short term loans from related parties		
Opening balance	68,143,873	35,858,778
Received during the year	-	32,285,095
Transferred during the year	(68,143,873)	-
Closing balance	<u>-</u>	<u>68,143,873</u>
Balance		
Trade Payable	<u>68,143,873</u>	<u>-</u>

31 NUMBER OF EMPLOYEES

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

	2020	2019
	Number	
Total employees of the company at year end	<u>50</u>	<u>50</u>
Average number of employees during the year	<u>52</u>	<u>52</u>

32 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for the purpose of comparison.

33 GENERAL

33.1 Certain prior year comparatives have been reclassified to conform to the current's years presentation.

33.2 These financial statements have been authorized for issue by the Board of Directors of the Company on 07-10-2020.

Balil Ali

Chief Executive

(Signature)

Director

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	2020			
	Furniture and fixtures	Motor vehicle	Computer and accessories	Total
COST				
As at June 30, 2019	200,000	13,728,250	100,000	14,028,250
Additions during the year	-	-	-	-
Disposal during the year	-	-	-	-
As at June 30, 2020	200,000	13,728,250	100,000	14,028,250
ACCUMULATED DEPRECIATION				
As at July 1, 2019	183,894	1,799,552	91,947	2,075,393
For the year	3,221	2,385,740	1,611	2,390,571
On disposals	-	-	-	-
Impairment	-	-	-	-
As at June 30, 2020	187,115	4,185,292	93,558	4,465,964
Written down value as at June 30, 2020	12,885	9,542,958	6,442	9,562,286
	2019			
	Furniture and fixtures	Motor vehicle	Computer and accessories	Total
COST				
As at June 30, 2018	200,000	4,598,000	100,000	4,898,000
Additions during the year	-	9,130,250	-	9,130,250
As at June 30, 2019	200,000	13,728,250	100,000	14,028,250
ACCUMULATED DEPRECIATION				
As at July 1, 2018	179,867	148,873	89,934	418,674
For the year	4,027	1,650,679	2,013	1,656,719
As at June 30, 2019	183,894	1,799,552	91,947	2,075,393
Written down value as at June 30, 2019	16,106	2,798,448	8,053	11,952,857
Depreciation rates per annum (%)	20	20	20	

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