INDEPENDENT AUDITOR'S REPORT

To the members of Fair Trade Capital Securities (Private) Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Fair Trade Capital Securities (Private) Limited (the "Company"), which comprise the statement of financial position as at June 30, 2020, the income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively, the "financial statements").

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on these financial statements.

Basis of Disclaimer of Opinion

The Company has written off balances in the amounts of PKR 9,303,927 pertaining to NCCPL receivables and PKR 13,995,191 pertaining to BMC deposits. Management was unable to furnish evidence in support of these amounts and we have therefore been unable to satisfy ourselves with respect to its completeness, existence or accuracy. The amount is material relative to the financial statements as a whole.

In the absence of evidence, we were unable to determine the nature or quantum of adjustments that might have been found necessary. We were also unable to satisfy ourselves that such adjustments would be confined to specific elements or line items of the financial statements. Finally, the afore-noted amounts may be a residual balance after offsetting, in which the case the effect on individual elements or line items of the financial statements may exceed the total balance noted above. Additionally, effects or possible effects of the unresolved matter on the comparability of the current period's figures and the corresponding figure cannot be determined.

Given our inability to obtain sufficient and appropriate evidence, and given that the effects or possible effects on the financial statements may be both material and pervasive, we do not express an opinion on the accompanying financial statements.

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 accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017 (XIX of 2017). Management is also responsible 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, any related matters, 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis of Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our ethical requirements in accordance with those requirements.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that, in our opinion, except for the effects and/or possible effects of the matters described in the *Basis of Disclaimer of Opinion* section of our report:

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 Income Statement, 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) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance; and

e) The Company was in compliance with the requirements of section 78 of the Securities Act 2015, and the relevant requirements of the Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the balance sheet was prepared.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Muhammad Aslam Khan.

IECnet S.K.S.S.S.
Chartered Accountants
Lahore

IECnet S.K.S.S. Chartered Accountants

Date: September 28, 2020

FAIRTRADE CAPITAL SECURITIES PRIVATE LIMITED

Financial Statements

For the Year Ended 30 June 2020

FAIRTRADE CAPITAL SECURITIES PRIVATE LIMITED
Statement of Financial Position
As at 30 June, 2020

	Note	Jun-20 Rupees	Jun-19 Rupees
ASSETS			
Non-current assets			
Property and equipment	5	2,077,129	2,430,519
Intangible assets	6	19,473,000	19,473,000
Long term deposits	7	9,800,000	19,295,191
		31,350,129	**41,198,710**
Current assets			
Trade debts - net	8	234,514	556,985
Loans and advances	9	174,136	260,986
Deposits, prepayments and other receivables	10	20,759,444	23,038,640
Income tax refundable	11	31,297,919	31,959,900
Short term investments	12	7,958,360	14,204,401
Cash and bank balances	13	10,567,782	4,894,593
		70,992,156	**74,915,505**
		102,342,285	**116,114,215**
EQUITY & LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid-up capital	14	185,000,000	185,000,000
Unappropriated profit		(129,191,383)	(103,533,249)
Unrealized surplus / (deficit) on re-measurement of investments measured at FVOCI		16,846,850	16,846,850
Total equity		**72,655,467**	**98,313,601**
Current liabilities			
Trade and other payables	15	29,686,817	17,349,177
Provision for taxation	16	-	451,436
		29,686,817	17,800,613
Contingencies and commitments	17	-	-
		102,342,285	**116,114,215**

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive Officer

Director

FAIRTRADE CAPITAL SECURITIES PRIVATE LIMITED

Statement of Profit or Loss

For the year ended June 30, 2020

	Note	Jun-20 Rupees	Jun-19 Rupees
Operating revenue	18	15,776,936	11,420,127
Gain/(loss) on sale of short term investments		(947,912)	(601,911)
Unrealized gain/(loss) on remeasurement of investments classified at FVTPL		(2,432,374)	(7,335,585)
		12,396,650	3,482,630
Operating and administrative expenses	19	(39,745,243)	(15,837,830)
Operating profit / (loss)		**(27,348,593)**	**(12,355,199)**
Financial charges	20	(41,565)	(102,796)
Other income and losses	21	1,998,658	8,807,668
Profit / (loss) before taxation		(25,391,500)	(3,650,327)
Taxation	22	(266,634)	(451,436)
Profit/(loss) for the year		**(25,658,134)**	**(4,101,763)**
Earnings/(loss) per share - basic	23	**(13.87)**	**(2.22)**

The annexed notes from 1 to 36 form an integral part of these financial statements.

S.K.S.S. Chartered Accountants IECnet

Chief Executive Officer

Director

FAIRTRADE CAPITAL SECURITIES PRIVATE LIMITED
Statement of Comprehensive Income
For the year ended June 30, 2020

	Note	**Jun-20 Rupees**	**Jun-19 Rupees**
Profit/(loss) for the year		(25,658,134)	(4,101,763)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Unrealized gain / (loss) during the period in the market value of investments measured at FVOCI		-	-
Total comprehensive income/(loss) for the year		**(25,658,134)**	**(4,101,763)**

The annexed notes from 1 to 36 form an integral part of these financial statements.

S.K.S.S. Tecnet Chartered Accountants

Chief Executive Officer

Director

FAIRTRADE CAPITAL SECURITIES PRIVATE LIMITED

Statement of Cash Flows

For the year ended June 30, 2020

	Note	Jun-20 Rupees	Jun-19 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**(25,391,500)**	**3,647,733**
Adjustments:			
Depreciation and impairment		431,920	523,911
Reversal of provision for doubtful debts		75,818	(4,716,929)
Provision for doubtful debts		-	209,180
Realized loss / (gain) on sale of short-term investments		(947,912)	601,911
Realized loss / (gain) on sale of long-term investments		-	-
Unrealized loss / (gain) on short-term investments		(2,432,374)	37,525
Non-cash adjustments		-	(3,299,309)
Interset Expense		-	102,796
		(2,872,548)	**(6,540,914)**
Operating profit before working capital changes		**(28,264,048)**	**(2,893,181)**
(Increase)/decrease in current assets			
Trade debts - net		246,652	683,991
Loans and advances		86,850	153,895
Deposits, prepayments and other receivables		2,279,196	8,013,807
Increase/(decrease) in current liabilities			
Trade and other payables		12,337,641	(11,191,608)
		14,950,339	**(2,339,915)**
Cash generated from / (used in) operations		**(13,313,709)**	**(5,233,096)**
Proceeds from net sales of / (acquisition of) short-term investments		9,626,326	6,167,838
Finance charges paid		-	(102,796)
Taxes paid		(56,089)	(1,796,838)
		9,570,237	**4,268,204**
Net cash from operating activities		**(3,743,472)**	**(964,892)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(78,530)	(119,175)
Movement in long term investment		-	7,298,060
Decrease / (increase) in long-term deposits		9,495,191	(3,700,000)
Net cash generated from / (used in) investing activities		**9,416,661**	**3,478,885**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	-
Net cash generated from / (used in) financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		**5,673,189**	**2,513,992**
Cash and cash equivalents at the beginning of the year		**4,894,593**	**2,380,600**
Cash and cash equivalents at the end of the year	13	**10,567,782**	**4,894,593**

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive Officer

Director

FAIRTRADE CAPITAL SECURITIES PRIVATE LIMITED

Statement of Changes in Equity

For the year ended June 30, 2020

	Issued, subscribed and paid-up capital	Unappropriated profit/ (loss)	Unrealized surplus / (deficit) on re-measurement of investments measured at FVOCI	Total
	......................Rupees......................			
Balance as at July 1, 2018	185,000,000	(99,431,486)	16,846,850	102,415,364
Total comprehensive income for the year				
Profit for the year		(4,101,763)	-	(4,101,763)
Other comprehensive income/(loss)	-	-	-	-
	-	(4,101,763)	-	(4,101,763)
Balance as at June 30, 2019	185,000,000	(103,533,249)	16,846,850	98,313,601
Total comprehensive income for the year				
Profit for the year		(25,658,134)	-	(25,658,134)
Other comprehensive income/(loss)	-	-	-	-
	-	(25,658,134)	-	(25,658,134)
Balance as at June 30, 2020	185,000,000	(129,191,383)	16,846,850	72,655,467

The annexed notes from 1 to 36 form an integral part of these financial statements.

S.K.S.S. Tecnet Chartered Accountants

Chief Executive Officer

Director

FAIRTRADE CAPITAL SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

Fairtrade Capiral Securites Private Limited (the "Company") was incorporated in Pakistan on May 26, 2006 as a private limited company, limited by shares, under the Companies Ordinance, 1984 repealed by Company Act 2017. The Company's registered office is situated at room no 708, 709 7th Floor Stock Exchange Building, Stock Exchange Road, Karachi. The Company is a holder of Trading Rights Entitlement Certificate ("TREC") of Pakistan Stock Exchange Limited. The Company is principally engaged in the business of investment advisory, purchase and sale of securities, financial consultancy, brokerage, underwriting, portfolio management and securities research.

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. The accounting and reporting standards as applicable in Pakistan comprises of:

- Financial Reporting Standard 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, and relevant provisions of the Securities Brokers (Licensing and Operations) Regulations 2016 (the "Regulations").

In case requirements differ, the provisions or directives of the Companies Act, 2017 and/or the Regulations shall prevail.

2.2. Accounting convention

These financial statements have been prepared under the historical cost convention, except:

- Investments in quoted equity securities (whether classified as assets at fair value through profit or loss, or at fair value through other comprehensive income), which are carried at fair value;
- Investments in unquoted equities, measured at fair value through other comprehensive income;
- Investments in associates, which are recorded in accordance with the equity method of accounting for such investments; and
- Derivative financial instruments, which is marked-to-market as appropriate under relevant accounting and reporting standards.

2.3. Functional and presentation currency

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

2.4. Accounting estimates and judgments

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

Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements are as follows:

(i) Estimates of useful lives and residual values of items of property, plant and equipment (Note 5);
(ii) Estimates of useful lives of intangible assets (Note 6);
(iii) Fair values of unquoted equity investments (Note 7);
(iv) Classification, recognition, measurement / valuation of financial instruments (Note 4.5); and
(v) Provision for taxation (Note 15)

2.5. New standards, amendments / improvements to existing standards (including interpretations thereof) and forthcoming requirements

2.5.1. Amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2020

S.K. Chartered Accountants

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 the Company's financial reporting, the same have not been disclosed here.

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

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

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 01, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The application of the amendment is not likely to have an impact on the Company's financial statements.

- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards. The amendments are not likely to affect the financial statements of the Company.

- Interest rate benchmark reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has, in turn, led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

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

a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b. any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
c. there is no substantive change to the other terms and conditions of the lease.

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

1. Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2022. 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 amendments are not likely to affect the financial statements of the Company.

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

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

2.5.3. Annual Improvements to IFRS standards 2018-2020:

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

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

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

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

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

3. INITIAL APPLICATION OF IFRS 16

The Company financial statement's has no impact of the International Financial Reporting Standard (IFRS) 16 Leases.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1. Property and Equipment

Items of property and equipment are stated at cost less accumulated depreciation (if any) and impairment losses (if any). Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the carrying amount as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss account during the year in which they are incurred. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Where such subsequent costs are incurred to replace parts and are capitalized, the carrying amount of replaced parts is derecognized. All other repair and maintenance expenditures are charged to profit or loss during the year in which they are incurred.

Depreciation on all items of property and equipment is calculated using the reducing balance method, in accordance with the rates specified in note 5 to these financial statements and after taking into account residual value, if material. Residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation is charged on an asset from when the asset is available for use until the asset is disposed of.

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

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of property and equipment as at June 30, 2020 did not require any adjustment.

4.2. Intangible assets

Intangible assets with indefinite useful lives, including Trading Right Entitlement Certificate ("TREC"), are stated at cost less accumulated impairment losses, if any. An intangible asset is considered as having an indefinite useful life when, based on an analysis of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company. An intangible asset with an indefinite useful life is not amortized. However, it is tested for impairment at each balance sheet date or whenever there is an indication that the asset may be impaired. Gains or losses on disposal of intangible assets, if any, are recognized in the profit and loss account during the year in which the assets are disposed of.

4.2.1. Membership cards and offices

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

4.3. Investment property

Investment properties are held for capital appreciation and are measured initially at its cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value at each reporting date. The changes in fair value are recognized in the statement of profit or loss.

4.4. Investment in associates

Associates are all entities over which the Company has significant influence but not control. Investments in associates where the Company has significant influence are accounted for using the equity method of accounting. Under the equity method of accounting, investments in associates are initially recognized at cost and the carrying amount of investment is increased or decreased to recognize the Company's share of the associate's post-acquisition profits or losses in income, and its share of the post-acquisition movement in reserves is recognized in other comprehensive income.

4.5. Financial instruments

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

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

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:

i. 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

ii. 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 at initial recognition. 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 amortized cost or at fair value through other comprehensive income, as aforesaid.

Such financial assets are initially measured at fair value.

4.5.2. Initial recognition

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

Regular way purchase of investments are recognized using settlement date accounting i.e. on the date on which settlement of the purchase transaction takes place. However, the Company follows trade date accounting for its own (the house) investments. Trade date is the date on which the Company commits to purchase or sell its asset.

Transactions of purchase under resale (reverse-repo) of marketable securities including the securities purchased under margin trading system are entered into at contracted rates for specified periods of time. Amounts paid under these agreements in respect of reverse repurchase transactions are recognized as a receivable. The difference between purchase and resale price is treated as income from reverse repurchase transactions in marketable transactions / margin trading system and accrued on a time proportion basis over the life of the reverse repo agreement.

4.5.3. 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 is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized 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 recognized 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.

4.5.4. Impairment

Financial assets

The Company applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for financial assets measured at amortized cost. The Company's expected credit loss impairment model reflects the present value of all cash shortfalls related to default events, either over the following twelve months, or over the expected life of a financial instrument, depending on credit deterioration from inception. The allowance / provision for credit losses reflect an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

Where there has not been a significant decrease in credit risk since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to the remaining term to maturity is used.

When a financial instrument experiences a significant increase in credit risk subsequent to origination but is not considered to be in default, or when a financial instrument is considered to be in default, expected credit loss is computed based on lifetime expected credit losses.

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

Forward-looking information includes reasonable and supportable forecasts of future events and economic conditions. These include macro-economic information, which may be reflected through qualitative adjustments or overlays. The estimation and application of forward-looking information may require significant judgment.

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 expectation of recovering a financial asset in its entirety or a portion thereof. The Company makes this assessment on an individual asset basis, after consideration of multiple historical and forward-looking factors. Financial assets that are written off may still be subject to enforcement activities in order to comply with the Company's processes and procedures for recovery of amounts due.

Non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount - defined as the higher of the asset's fair value less costs of disposal and the asset's value-in-use (present value of estimated future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and asset-specific risk) - is estimated to determine the extent of the impairment loss.

For the purpose of assessing impairment, assets are grouped into cash-generating units: the lowest levels for which there are separately identifiable cash flows.

4.6. Offsetting of financial assets and financial liabilities

Financial assets and liabilities are off-set and the net amount is reported in the statement of financial position if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.7. Trade debts and other receivables

Trade debts and other receivables are stated initially at amortized cost using the effective interest rate method.

Provision is made on the basis of lifetime ECLs that result from all possible default events over the expected life of the trade debts and other receivables. Bad debts are written off when considered irrecoverable.

4.8. Cash and cash equivalents

Cash and cash equivalents are carried at cost and include cash in hand, balances with banks in current and deposit accounts, stamps in hand, other short-term highly liquid investments with original maturities of less than three months and short-term running finances.

4.9. Borrowings

Borrowings are recognized initially at fair value, net of attributable transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss account over the period of the borrowings using the effective interest method.

4.10. Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method. They are classified as current if payment is due within twelve months of the reporting date, and as non-current otherwise.

4.11. Staff retirement benefits

The Company did not have any retirement benefits plan.

4.12. Taxation

Income tax expense comprises current and deferred tax.

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using rates enacted or substantively enacted at the reporting date, and takes into account tax credits, exemptions and rebates available, if any. The charge for current tax also includes adjustments, where necessary, relating to prior years which arise from assessments framed / finalized during the year.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the reporting date between the tax base and carrying amount of assets and liabilities for financial reporting purposes

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carried forward unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carried forward unused tax losses can be utilized. Carrying amount of all deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted by the reporting date.

Deferred tax is charged or credited in the statement of profit or loss account, except in the case of items credited or charged to comprehensive income or equity, in which case it is included in comprehensive income or equity.

4.13. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.14. Revenue recognition

Revenue is recognized to the extent that it is probable that 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:

- Brokerage and commission income is recognized when brokerage services are rendered.
- Dividend income is recognized when the right to receive the dividend is established.
- Return on deposits is recognized using the effective interest method.
- Income on fixed term investments is recognized using the effective interest method.
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.

- Unrealized capital gains / (losses) arising from marking to market financial assets are included in profit and loss (for assets measured at FVTPL) or OCI (for assets measured at FVOCI) during the period in which they arise.
- Income / profit on exposure deposits are recognized using the effective interest rate.

4.15. Dividend income

Dividends received from investments measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognized in the statement of profit or loss when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of a part of the cost of an investment. In this case, dividend is recognized in other comprehensive income if it relates to an investment measured at fair value through other comprehensive income.

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4.16. Mark up / interest income

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

4.17. Borrowings

These are recorded at the proceeds received. Finance costs are accounted for on accrual basis and are disclosed as accrued interest / mark-up to the extent of the amount unpaid at the reporting date.

4.18. Borrowing costs

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of the relevant asset.

4.19. Fiduciary assets

Assets held in trust or in a fiduciary capacity by the Company are not treated as assets of the Company.

4.20. Foreign currency transactions and translation

Monetary assets and liabilities in foreign currencies are translated into functional currency at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into functional currency at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in income.

4.21. Derivative financial instruments

Derivative financial instruments are recognized at their fair value on the date on which a derivative contract is entered into. Subsequently, any changes in fair values arising on marking to market of these instruments are taken to the profit and loss account.

4.22. Related party transactions

All transactions involving related parties arising in the normal course of business are conducted and recorded at rates that are not less than market.

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5 PROPERTY AND EQUIPMENT

	2020								
	Cost				Accumulated Depreciation				
	As at 1 July 2019	Additions	Disposals	As at 30 June 2020	As at 1 July 2019	For the Year	As at 30 June 2020	Net book value as at 30 June 2020	Rate of dep
	Rupees								%age
Furniture and fixtures	1,459,990	-	-	1,459,990	681,123	116,830	797,953	662,037	15%
Office equipmemt	2,245,549	20,000	-	2,265,549	1,050,583	180,195	1,230,778	1,034,771	15%
Computers	3,843,556	58,530	-	3,902,086	3,450,293	128,553	3,578,846	323,240	30%
Vehicles	87,000	-	-	87,000	23,577	6,342	29,919	57,081	10%
	7,636,095	78,530	-	7,714,625	5,205,576	431,920	5,637,496	2,077,129	

	2019								
	Cost				Accumulated Depreciation				
	As at 1 July 2018	Additions	Disposals	As at 30 June 2019	As at 1 July 2018	For the Year	As at 30 June 2019	Net book value as at 30 June 2019	Rate of dep
	Rupees								%age
Furniture and fixtures	1,459,990	-	-	1,459,990	543,676	137,447	681,123	778,867	15%
Office equipmemt	2,198,649	46,900	-	2,245,549	839,707	210,876	1,050,583	1,194,966	15%
Computers	3,771,281	72,275	-	3,843,556	3,281,752	168,541	3,450,293	393,263	30%
Vehicles	87,000	-	-	87,000	16,530	7,047	23,577	63,423	10%
	7,516,920	119,175	-	7,636,095	4,681,665	523,911	5,205,576	2,430,519	

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6 INTANGIBLE ASSETS

	Note	Jun-20 Rupees	Jun-19 Rupees
Trading Rights Entitlement Certificate ("TREC")	6.1	2,500,000	2,500,000
Rooms - PSX		16,973,000	16,973,000
		19,473,000	19,473,000
Impairment	6.2	-	-
		19,473,000	19,473,000

6.1 Pursuant to the Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012, stock exchanges operating as guarantee limited companies were converted to public limited companies. Ownership rights in exchanges were segregated from the right to trade on an exchange. As a result of such demutualization and corporatization, the Company received shares of the relevant exchange and a Trading Rights Entitlement Certificate ("TREC") against its membership card. These have been carried at cost less impairment losses.

The TREC has been recorded as an indefinite-life intangible asset pursuant to the provisions and requirements of IAS 38. As the TREC is not a commonly tradable instrument, the value approved by the Board of Directors of the Pakistan Stock Exchange Limited ("PSX") post-mutualization was used as the initial value of the intangible. The TREC, which has been pledged with the PSX to meet Base Minimum Capital ("BMC") requirements, is assessed for impairment in accordance with relevant approved accounting standards.

6.2 Based on an assessment of indications of impairment as required under relevant accounting standards, which include a notice by PSX dated November 10, 2017 whereby the notional value of the PSX TREC was revised to notional value, the Company recognized, in fiscal 2018, impairment losses on the PSX and PMEX TRECs / membership cards in the amount necessary to reduce the carrying value of each intangible asset to PKR 2.5 million.

7 LONG-TERM DEPOSITS

Central Depository Company of Pakistan		100,000	100,000
National Clearing Company of Pakistan Limited		1,400,000	1,400,000
Base Minimum Capital - PSX	7.1	8,300,000	17,795,191
		9,800,000	**19,295,191**

7.1 The Company has written-off Rs. 13,995,191 which had been incorrectly recorded in prior year.

8 TRADE DEBTS

Considered good	*8.1*	234,514	556,985
Considered doubtful		133,362	209,180
		367,876	766,164
Less: Provision for doubtful debts	*8.2*	133,362	209,180
		234,514	**556,985**

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8.1 The Company holds client-owned securities with a total fair value of PKR 44,536,885 (2019: PKR 54,163,633 as collateral against trade debts. Refer to note 3.8 for details around the Company's methodology for computing estimated credit losses under the expected loss model under IFRS 9.

Trade debts include PKR NIL receivable from related parties.

8.2 Movement in provision against trade debts is as under:

	Note	Jun-20 Rupees	Jun-19 Rupees
Opening balance (as at July 1)		209,180	4,716,929
Charged to profit and loss during the year		(75,818)	209,180
		133,362	4,926,109
Amounts written off during the year		-	(4,716,929)
Closing balance (as at June 30)		**133,362**	**209,180**

9 LOANS AND ADVANCES

Staff advances - unsecured, considered good		174,136	260,986
		174,136	**260,986**

10 DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES

Exposure margin with NCCPL		18,300,000	11,700,000
Balance due from NCCPL	11.1	1,567,267	10,438,258
WHT		41,977	29,132
Other advances		850,200	871,250
		20,759,444	**23,038,640**

11.1 The Company has written off Rs. 9,303,927 balance receivable from NCCPL which the Company had recorded excessively in prior years.

11 INCOME TAX REFUNDABLE

Opening balance (as at July 1)		31,959,900	30,163,063
Add: Current year additions		56,089	1,796,838
		32,015,989	31,959,900
Less: Adjustment against previous year provision for taxation		451,436	-
Adjustment against current year provision for taxation		266,634	
Balance at the end of the year		**31,297,919**	**31,959,900**

12 SHORT TERM INVESTMENTS

		7,958,360	**14,204,401**

13 CASH AND BANK BALANCES

Cash in hand		1,600	7,113
Cash at bank			
Current accounts	*13.1*	10,566,182	4,887,480

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Savings accounts	-	-
	10,567,782	4,894,593

13.1 Cash in current accounts includes customers' assets in the amount of PKR 8,475,169 (2019: 4,827,313) held in designated bank accounts.

14 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	Note	Jun-20 Rupees	Jun-19 Rupees
14.1 Authorized capital			
1,850,000 (2019: 1,850,000) ordinary shares of PKR 100 each.		**185,000,000**	**185,000,000**
14.2 Issued, subscribed and paid-up share capital			
1,850,000 (2019: 1,850,000) ordinary shares of PKR 100/- each, issued for cash		185,000,000	185,000,000
		185,000,000	**185,000,000**

14.3 Shareholders holding 5% or more of total shareholding

	Number of Shares		Percentage	
	2020	2019	**2020**	2019
Muhammad Hussain Adhi	240,000	240,000	*13%*	*13%*
Muhammad Ashraf	800,000	800,000	*43%*	*43%*
Mrs. Farzana Ashraf	435,000	435,000	*24%*	*24%*
Muhammad Yaqoob Adhi	165,000	165,000	*9%*	*9%*

15 TRADE AND OTHER PAYABLES

Trade creditors	*15.1*	28,344,927	15,210,273
Accrued expenses and other payables		997,155	558,479
Auditor's remuneration payable		-	500,000
Taxes payable		316,989	555,051
Worker welfare fund - Punjab		27,746	-
Bank overdraft		-	525,373
		29,686,817	**17,349,177**

15.1 This includes PKR 113,620 (2019: PKR NIL) due to related parties.

16 PROVISION FOR TAXATION

Balance at the beginning of the year	451,436	-
Add: Current Year Provision	266,634	451,436
	718,070	451,436
Adjustment against previous year advance tax	451,436	-
Adjustment against current year advance tax	266,634	-
Balance at the end of the year	-	451,436

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17 CONTINGENCIES AND COMMITMENTS

17.1 There are no contingencies or commitments of the Company as at June 30, 2020 (2019: Nil).

18 OPERATING REVENUE

	Note	Jun-20 Rupees	Jun-19 Rupees
Brokerage income		15,776,936	11,420,127
Dividend income		-	-
		15,776,936	11,420,127

19 OPERATING & ADMINISTRATIVE EXPENSES

	Note	Jun-20	Jun-19
Staff salaries, allowances and other benefits		10,618,580	7,318,225
Director's remuneration		364,000	384,000
LSE & KSE Charges		824,113	1,255,103
C.D.C & NCSS charges		659,763	612,151
Printing and stationery		169,428	194,391
Fees and subscription		122,495	137,945
Legal and professional		232,300	327,246
Provision for doubtful debts		-	209,180
Communication Expense		593,210	741,961
Donation		-	60,000
Auditors' remuneration	19.1	350,000	250,000
Entertainment		318,686	366,483
Travelling and conveyance expenses		132,563	538,769
Repair and maintenance		48,930	871,454
Rent, rate and taxes		787,162	783,094
Miscellaneous expenses		418,738	306,427
Software expenses		346,490	657,489
Prior Year Balances Write-Off		23,299,118	
Penalty		-	300,000
Worker welfare fund - Punjab		27,746	-
Depreciation	5	431,920	523,911
		39,745,243	**15,837,830**

19.1. Auditor's remuneration

		Jun-20	Jun-19
Statutory audit		250,000	250,000
Certifications and other charges		100,000	-
		350,000	250,000

19.2. Prior Year Balances Write-Off

	Note	Jun-20
Write-off NCCPL balance Wrongly Recorded in Prior Year	19.2.1	9,303,927
Write-off BMC balance recoded in Long Term Investment	19.2.2	13,995,191
		23,299,118

19.2.1 The Company has written off Rs. 9,303,927 balance receivable from NCCPL which the Company had recorded excessively in prior years.

19.2.2 The Company has written-off Rs. 13,995,191 which had been recorded as BMC(Base Minimum Capital) in prior years which were given against PSX blocked shares. Subsequently, PSX released blocked shares against BMC facility.

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20 FINANCIAL CHARGES

	Note	Jun-20 Rupees	Jun-19 Rupees
Bank and other charges		41,565	102,796
		41,565	**102,796**

21 OTHER INCOME / LOSSES

Income from non-financial assets/liabilities		
Reversal of provion for doubtful debt	75,818	4,716,929
Reversal of prior year liability	-	2,980,273
Sundry / miscellaneous income	1,922,840	1,110,466
	1,998,658	8,807,668

22 TAXATION

Current tax expense / (income)		
for the year	266,634	451,436
prior years	-	-
	266,634	451,436

The tax provision made in the financial statements is considered sufficient.

23. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit after tax for the year by the weighted average number of shares outstanding during the period, as follows:

Profit / (loss) after taxation, attributable to ordinary shareholders	(25,658,134)	(4,101,763)
Weighted average number of ordinary shares in issue during the year	1,850,000	1,850,000
Earnings per share	**(13.87)**	**(2.22)**

No figure for diluted earnings per share has been presented as the Company has not issued any dilutive instruments carrying options which would have an impact on earnings per share when exercised.

24. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including benefits, to the chief executive, directors and executives of the Company as per the terms of their employment are as follows:

	2020		2019	
	Remuneration	# of persons	Remuneration	# of persons
Chief Executive Officer	-	1	-	1
Directors	364,000	1	384,000	1

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25 FINANCIAL INSTRUMENTS BY CATEGORY

	2020			
	Amortized cost	FVOCI	FVTPL	Total
	Rupees			
ASSETS				
Non-current assets				
Long term deposits	9,800,000	-	-	**9,800,000**
Long term investment	-	-	-	**-**
Current assets				
Short-term investments	-	-	7,958,360	**7,958,360**
Trade debts - net	234,514	-	-	**234,514**
Loans and advances	174,136	-	-	**174,136**
Deposits, prepayments and other receivables	20,759,444	-	-	**20,759,444**
Cash and bank balances	10,567,782	-	-	**10,567,782**
LIABILITIES				
Current liabilities				
Trade and other payables	29,686,817	-	-	**29,686,817**

	2019			
	Amortized cost	FVOCI	FVTPL	Total
	Rupees			
ASSETS				
Non-current assets				
Long-term deposits	19,295,191	-	-	**19,295,191**
Long term investment	-	0	-	**0**
Current assets				
Short-term investments	-	-	14,204,401	**14,204,401**
Trade debts - net	556,985	-	-	**556,985**
Loans and advances	260,986	-	-	**260,986**
Deposits, prepayments and other receivables	23,038,640	-	-	**23,038,640**
Cash and bank balances	4,894,593	-	-	**4,894,593**
LIABILITIES				
Current liabilities				
Trade and other payables	17,349,177	-	-	**17,349,177**

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26 FINANCIAL RISK MANAGEMENT

26.1 Risk management framework

The Director / Chief Executive has overall responsibility for the establishment and oversight of the Company's risk management framework. He is also responsible for developing and monitoring the Company's risk management policies, which are monitored and assessed for effectiveness throughout the year. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to establish internal control over risk. Through its training and management standards and procedures, the Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Company has established adequate procedures to manage each of these risks as explained below.

26.2 Market risk

Market risk is the risk that the value of financial instruments may fluctuate as a result of changes in market interest rates, changes in the credit rating of the issuer of the instruments, change in market sentiments, speculative activities, supply and demand of securities and/or changes in liquidity in the market.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

26.2.1 Currency risk

Currency risk mainly arises where receivables and payables exist due to transactions with foreign undertakings. The Company is not exposed to major foreign exchange risk in this respect.

26.2.2 Interest rate risk

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in market interest rates. Sensitivity to interest / mark-up rate risk arises from mismatches or gaps in the amounts of interest / mark-up based assets and liabilities that mature or reprice in a given period. The Company manages this risk by matching the maturity / repricing of financial assets and liabilities through appropriate policies.

26.2.3 Price risk

Price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices, whether such changes are due to factors specific to individual financial instruments (including factors specific to issuers of such instruments) or due to macroeconomic or other factor affecting similar financial instruments being traded in the market.

The Company is exposed to price risk in respect of investments carried at fair value (whether as available-for-sale investments or as instruments at fair value through profit or loss). Such price risk comprises both the risk that price of individual equity investments will fluctuate and the risk that there will be an index-wide movement in prices. Measures taken by the Company to monitor, manage and mitigate price risk include daily monitoring of movements in stock indexes (such as the KSE 100 index) as well as of the correlation between the Company's investment portfolio with stock indexes.

26.3 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. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, loans and advances, investments and other receivables. The carrying amount of financial assets represents the maximum credit exposure, although this maximum is a theoretical formulation as the Company frequency holds collateral against potential credit losses.

Measures taken by management to manage and mitigate credit risk include:
- Development of and compliance with risk management, investment and operational policies / guidelines (including guidelines in respect of entering into financial contracts);
- Assignment of trading limits to clients in accordance with their net worth;

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- Collection / maintenance of sufficient and proper margins from clients;
- Initial and ongoing client due diligence procedures, where clients' financial position, past experience and other factors are considered;
- Collection and maintenance of collateral if, as and when deemed necessary and appropriate;
- Diversification of client and investments portfolios; and
- Engagement with creditworthy / high credit rating parties such as banks, clearing houses and stock exchanges.

The Company continually monitors the quality of its debtor portfolio, both on an individual and portfolio basis, and provides against credit losses after considering the age of receivables, nature / quantum of collateral and debtor-specific factors (such as creditworthiness and repayment capacity).

The carrying amount of financial assets, which represents the maximum credit exposure before consideration of collateral and counterparty creditworthiness, is as specified below:

	2020	2019
Long-term investments	-	14,055,526
Short-term investments	7,958,360	148,875
Long-term deposits	9,800,000	19,295,191
Loans and advances	174,136	260,986
Deposits, prepayments and other receivables	20,759,444	23,038,640
Trade debts (net)	234,514	556,985
	38,926,454	57,356,203

26.4 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations, settled by delivering cash or another financial asset, as they fall due. Prudent liquidity risk management requires the maintenance of sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to the dynamic nature of the business and the industry it operates in. The Company finances its operations through equity and, as and when necessary, borrowings, with a view to maintaining an appropriate mix between various sources of financing.

The table below classifies the Company's financial liabilities into relevant maturity groupings based on the time to contractual maturity date, as at the balance sheet date. The amounts in the table are contractual undiscounted cash flows.

	As at June 30, 2020		
Financial liabilities	**Carrying amount**	**Within one year**	**More than one year**
Trade and other payables	29,686,817	29,686,817	-
Total	**29,686,817**	**29,686,817**	**-**

	As at June 30, 2019		
Financial liabilities	**Carrying amount**	**Within one year**	**More than one year**
Trade and other payables	17,349,177	17,349,177	-
Total	**17,349,177**	**17,349,177**	**-**

The Company does not expect that the timing or quantum of cash flows outlined in the table above will change significantly, and as a result expects to be able to fulfill its obligations as they come due.

27 CAPITAL RISK MANAGEMENT

The Company's objective in managing capital is to ensure that the Company is able to continue as a going concern so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. As well, the Company has to comply with capital requirements as specified under the Securities Brokers (Licensing and Operations) Regulations, 2016 (as well as other relevant directives from regulating bodies issued from time to time).

Consistent with industry practice, the Company manages its capital risk by monitoring its debt levels and liquid assets, keeping in view future investment requirements.

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28 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount that would be received on the sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operations or to undertake a transaction on adverse terms.

Various judgments and estimates are made in determining the fair value of financial instruments that are recognized and measured at fair value in the Company's financial statements. To provide an indication about the reliability of inputs used in determining fair value, financial instruments have been classified into three levels, as prescribed under accounting standads. An explanation of each level follows the table.

Recurring FV Measurement - June 30, 2020	**Level I**	**Level II**	**Level III**	**Total**
Long-term investment - at FVOCI	-	-	-	-
Short-term investments - at FVTPL	7,958,360	-	-	**7,958,360**
Recurring FV Measurement as at June 30, 2019	**Level I**	**Level II**	**Level III**	**Total**
Long-term investment - available-for-sale	-	0	-	**0**
At fair value through profit and loss	14,204,401	-	-	**14,204,401**

In the fair value hierarchy in the preceding table, inputs and valuation techniques are as follows:

- Level 1: Quoted market price (unadjusted) in an active market
- Level 2: Valuation techniques based on observable inputs
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

There were no transfers into or out of Level 1 measurements.

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29 CAPITAL MANAGEMENT

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

29.2 CAPITAL ADEQUACY

The Capital Adqequacy level as required by CDC is Calculated as Follows

	Notes	Amount (Rupees)
Total Assets	*29.2.1*	102,342,285
Less: Total Liabilities		(29,686,817)
Less: Revaluation Reserves (created upon revaluation of fixed assets)		-
Capital Adequacy Level		**72,655,467**

29.2.1 While determining the value of the total assets of the TREC Holder, Notional value of TREC as at year ended as determined by Pakistan Stock Exchange has been considered.

29.3 NET CAPITAL BALANCE

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

Description of Current Assets	Basis of Accounting	Notes	Amount (Rupees)
Cash in hand & Cash in bank	As per book value.	13	
Cash in hand			1,600
Cash at bank-House Account			1,891,013
Cash at bank-Client Account			8,675,169
			10,567,782
Exposure PSX and Receivable from NCCPL			**21,267,267**
Trade receivables		8	367,876
Less:	Book value less those over due for more than 14 days.		354,506
			13,370
Investment in listed securities in the name of company	Securities on the Exposure List to Market less 15 % discount.	12	**7,958,360**
			(1,193,754)
			6,764,606
Securities purchase for client	Lower of overdue 14 days balance and securities held against such balance		**221,144**
			38,834,169
Description of Current Liabilities			
Trade payables	Book value		**28,344,927**
Less: Over due more than 30 days	less: those overdue for more than 30 days.		6,434,488
			21,910,439
Other Liabilites	Creditors overdue for more than 30 days	15.1	**6,434,488**
	Accrued Liabilities and Other Payable	15	**1,341,890**
			29,686,817
NET CAPITAL BALANCE			**9,147,351**

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29.4 **Liquid Capital**

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.1	Property & Equipment	2,077,129	100.00%	-
1.2	Intangible Assets	19,473,000	100.00%	-
1.3	Investment in Govt. Securities (150,000*99)		-	-
1.4	**Investment in Debt. Securities**			
	If listed than:			
	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.			-
	If unlisted than:			-
	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.			-
1.5	**Investment in Equity Securities**			
	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	7,958,360	1,874,198	6,084,162
	ii. If unlisted, 100% of carrying value.	-	100.00%	-
	iii.Subscription money against Investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been alloted 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. (July 19, 2017) 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 (August 25, 2017)			-
1.6	Investment in subsidiaries			-
1.7	**Investment in associated companies/undertaking**			-
	i. If listed 20% or VaR of each securities as computed by the Securites Exchange for respective securities whichever is higher.			-
	ii. If unlisted, 100% of net value.			-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	8,400,000	100.00%	-
1.9	Margin deposits with exchange and clearing house.	21,267,267		21,267,267
1.10	Deposit with authorized intermediary against borrowed securities under SLB.			-
1.11	Other deposits and prepayments	515,148	515,148	
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			-
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	31,472,055	100.00%	
1.16	**Receivables from clearing house or securities exchange(s)**			-
	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.	377,029	0.00%	377,029
1.17	**Receivables from customers**			-
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. ***i. Lower of net balance sheet value or value determined through adjustments.***	-	-	-
	ii. Incase receivables are against margin trading, 5% of the net balance sheet value. ***ii. Net amount after deducting haircut***			-
	iii. Incase receivalbes are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, ***iii. Net amount after deducting haricut***			-
	iv. Incase of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. ***iv. Balance sheet value***	8,118	0.00%	8,118
	v. Incase of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. ***v. Lower of net balance sheet value or value determined through adjustments***	359,758		-
	vi. 100% haircut in the case of amount receivable form related parties.	-	-	
1.18	**Cash and Bank balances**	-	-	-
	I. Bank Balance-proprietory accounts	1,891,013	-	1,891,013
	ii. Bank balance-customer accounts	8,675,169	-	8,675,169
	iii. Cash in hand	1,600	-	1,600
1.19	**Total Assets**	**102,475,646**	**2,389,352**	**38,304,357**
2. Liabilities				
2.1	**Trade Payables**			-
	i. Payable to exchanges and clearing house		-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	28,344,927	-	28,344,927
2.2	**Current Liabilities**			-
	i. Statutory and regulatory dues			-
	ii. Accruals and other payables	1,341,890		1,341,890
	iii. Short-term borrowings			-
	iv. Auditor's remuneration payable	-		-
	v. Current portion of long term liabilities	-		-
	vi. Deferred Liabilities			-
	vii. Provision for bad debts	133,362		133,362
	viii. Provision for taxation	-		-

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	ix. Other liabilities as per accounting principles and included in the financial statements			-
2.3	**Non-Current Liabilities**			
	i. Long-Term financing			
	a. Long-Term financing obtained from financial instituion: 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. 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			
2.4	**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: 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 Liabilites**	29,820,179	-	29,820,179
3. Ranking Liabilities Relating to :				
3.1	**Concentration in Margin Financing**			
	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.			-
3.2	**Concentration in securites lending and borrowing**			
	The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (Ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed			
3.3	**Net underwriting Commitments**			
	(a) in the case of right issuse : if the market value of securites is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issuse where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting			
	(b) in any other case : 12.5% of the net underwriting commitments			
3.4	**Negative equity of subsidiary**			
	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary			
3.5	**Foreign exchange agreements and foreign currency positions**			
	5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign cuurency less total liabilities denominated in foreign currency			
3.6	Amount Payable under REPO			
3.7	**Repo adjustment**			
	In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securites. **In the case of financee/seller** the market value of underlying securities after applying haircut less the total amount received ,less value of any securites deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.			
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		978,120	978,120
3.9	**Opening Positions in futures and options**			
	i. In case of customer positions, the total margin requiremnets in respect of open postions less the amount of cash deposited by the customer and the value of securites held as collateral/ pledged with securities exchange after applyiong 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	**Short selll positions**			
	i. Incase of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts			
	ii. Incase of proprietory 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 Liabilites**	-	978,120	978,120

TOTAL	72,655,467	**Liquid Capital**	7,506,058

30 RELATED PARTY TRANSACTIONS

The related parties of the Company comprise of shareholders/ directors, key management personnel, entities with common shareholding, entities over which the directors are able to exercise influence and entities under common directorship. Transactions with related parties and the balances outstanding at year end are disclosed in the respective notes to the financial statements.

31 IMPACT OF COVID-19 (CORONA VIRUS)

The pandemic of CVIS-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 23, 2020, the Government of the Punjab announced a temporary lock down as a measure to reduce the spread of the COVID-19. The Company's operations were not affected as Pakistan Stock Exchange was not subject to lockdown restrictions. Company implemented all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees and contained its operations. Due to this, management has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment, there is no significant accounting impact of the effect of COVID-19 on these Financials Statements.

32 EVENTS AFTER REPORTING PERIOD

No events occurred after the reporting period that would require adjustment or disclosure in the financial statements.

33 NUMBER OF EMPLOYEES

The total no of employees and average number of employees at year end and during the year respectively are as follows:

	2020	2019
Total No of employees as at	17	12
Average number of employees during the year	17	13

34 RE-CLASSIFICATION AND RE-ARRANGEMENTS

Corresponding figures have been reclassified and re-arranged wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison, and in order to improve compliance with disclosure requirements.

35 GENERAL

Amounts have been rounded off to the nearest rupee, unless otherwise stated.

36 AUTHORIZATION

36.1 These financial statements were authorized for issue on September 28, 2020 by the Board of Directors of the Company.

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Chief Executive **Director**