

BRAINS SECURITIES (PVT) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

CERTIFICATE OF CAPITAL ADEQUACY LEVEL

We, being the statutory auditor of M/s. Brains Securities (Pvt) Limited, certify that the following information is correct and authenticated by us after due diligence from our side as at June 30, 2021.

| | Note | <u>RUPEES</u> |
|---|------|-------------------|
| Total Assets | 1 | 88,831,116 |
| Less: Total Liabilities | | 28,077,800 |
| Less: Revaluation Reserves | | - |
| (created upon revaluation of fixed assets) | | |
| Capital Adequacy Level | | <u>60,753,316</u> |

Note:

1. While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate held by such Participant as at year ended June 30, 2021 as determined by Pakistan Stock Exchange has been considered.


CHARTERED ACCOUNTANTS

Dated: 05 OCT 2021



Independent Auditor's Report to the members of BRAINS SECURITIES (PVT) LIMITED

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with 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.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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 (XVIII of 1980); and
- e) the company has duly complied with the requirements of Section 78 of the Securities Act, 2015, and relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the financial statements were prepared.

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


CHARTERED ACCOUNTANTS

Lahore: 05 OCT 2021

BRAINS SECURITIES (PVT) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

ASSETS

NON CURRENT ASSETS

Property and equipment
 Intangible assets
 Long term investment
 Long term deposits
 Deferred tax asset

| Note | 2021 Rupees | 2020 Rupees |
|------|----------------|----------------|
| ✓ 5 | ✓ 2,082,839 | 2,117,596 |
| ✓ 6 | ✓ 9,716,475 | 9,740,528 |
| ✓ 7 | ✓ 16,764,123 | 16,521,957 |
| ✓ 8 | ✓ 1,500,000 | 1,500,000 |
| ✓ 16 | ✓ 2,693,828 | - |
| | ✓ 32,757,265 | 29,880,081 |

CURRENT ASSETS

Account receivables
 Loans and advances
 Trade deposits, short term prepayments and current
 account balance with statutory authorities
 Cash and bank balances

| | | |
|------|------------|------------|
| ✓ 9 | 24,001,542 | 11,626,717 |
| ✓ 10 | 978,183 | 1,676,967 |
| ✓ 11 | 18,832,000 | 5,116,578 |
| ✓ 12 | 12,262,126 | 7,917,590 |
| | 56,073,851 | 26,337,852 |
| | 88,831,116 | 56,217,933 |

EQUITY AND LIABILITIES

SHARE CAPITAL AND RESERVES

Share capital

Issued, subscribed and paid up capital

13 50,000,000 ✓ 35,000,000

Revenue reserve

Accumulated loss

(5,883,540) ✓ (11,181,007)

Capital reserve

Fair value adjustment reserve

✓ 14 15,453,856 15,211,690

59,570,316 39,030,683

LONG TERM LOAN FROM CHIEF EXECUTIVE

✓ 15 1,183,000 1,183,000

60,753,316 40,213,683

NON CURRENT LIABILITIES

Deferred taxation

16 - -

CURRENT LIABILITIES

Deposits, accrued liabilities and advances
 Trade and other payables
 Provision for taxation

| | | |
|------|------------|------------|
| ✓ 17 | 8,562,947 | 4,832,993 |
| ✓ 18 | 18,634,606 | 10,768,735 |
| | 880,247 | 402,522 |
| | 28,077,800 | 16,004,250 |

CONTINGENCIES AND COMMITMENTS

19 - -

88,831,116 56,217,933

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

[Signature]
CHIEF EXECUTIVE

[Signature]
DIRECTOR

BRAINS SECURITIES (PVT) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021

| | Note | 2021 Rupees | 2020 Rupees |
|---|------|----------------|----------------|
| Brokerage and commission | 20 | 41,053,005 | 13,209,345 |
| Capital loss on marketable securities | | (16,942) | (202,350) |
| | | 41,036,063 | 13,006,995 |
| Direct cost | 21 | (17,301,515) | (3,726,042) |
| | | 23,734,548 | 9,280,953 |
| Operating expenses | 22 | (18,839,859) | (9,320,321) |
| Other operating expenses | 23 | (2,643,499) | (51,387) |
| Other income | 24 | 1,470,821 | 2,671,448 |
| | | (20,012,537) | (6,700,260) |
| PROFIT FROM OPERATIONS | | 3,722,011 | 2,580,693 |
| Finance cost | 25 | (13,320) | (11,354) |
| PROFIT BEFORE TAXATION | | 3,708,691 | 2,569,339 |
| Taxation | 26 | 1,588,776 | (555,632) |
| PROFIT FOR THE YEAR | | 5,297,467 | 2,013,707 |
| EARNINGS PER SHARE - BASIC AND DILUTED | 27 | 14.11 | 5.75 |

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


CHIEF EXECUTIVE

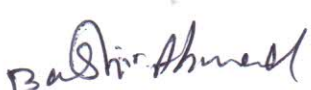

DIRECTOR

BRAINS SECURITIES (PVT) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

| | 2021 Rupees | 2020 Rupees |
|--|------------------|------------------|
| Profit for the year | 5,297,467 | 2,013,707 |
| Items that will not be reclassified subsequently to statement of profit or loss | - | - |
| Items that may be reclassified subsequently to statement of profit or loss | | |
| Gain/(loss) on available for sale investment | 242,166 | (359,343) |
| Other comprehensive income/(loss) for the year | 242,166 | (359,343) |
| Total comprehensive income for the year | 5,539,633 | 1,654,364 |

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


CHIEF EXECUTIVE


DIRECTOR

BRAINS SECURITIES (PVT) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

| | Note | 2021 Rupees | 2020 Rupees |
|--|------|--------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 3,708,691 | 2,569,339 |
| Adjustments of items not involving movements of cash: | | | |
| Depreciation | 5 | 279,257 | 289,715 |
| Amortization | 6.2 | 24,053 | 26,725 |
| | | <u>303,310</u> | <u>316,440</u> |
| Operating cash flows before working capital changes | | 4,012,001 | 2,885,779 |
| (Increase) / Decrease in working capital | | | |
| (Increase) / decrease in current assets | | | |
| Account receivables | | (12,374,825) | (9,596,903) |
| Loan and advances | | 698,784 | 36,220 |
| Trade deposits and short term prepayments | | (14,150,340) | (2,266,660) |
| Increase / (decrease) in current liabilities | | | |
| Deposits, accrued liabilities and advances | | 3,729,954 | 4,159,489 |
| Trade and other payables | | 7,865,871 | 8,465,370 |
| | | <u>(14,230,556)</u> | <u>797,516</u> |
| Cash generated (used in) / from operations | | <u>(10,218,555)</u> | <u>3,683,295</u> |
| Taxes paid | | <u>(192,409)</u> | <u>(153,109)</u> |
| Net cash flows from operating activities | | (10,410,964) | 3,530,186 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Fixed capital expenditure | | <u>(244,500)</u> | <u>(267,000)</u> |
| Net cash flows from investing activities | | (244,500) | (267,000) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds received against issuance of shares | | <u>15,000,000</u> | <u>-</u> |
| | | 15,000,000 | - |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | | <u>4,344,536</u> | <u>3,263,186</u> |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | <u>7,917,590</u> | <u>4,654,404</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | A | <u><u>12,262,126</u></u> | <u><u>7,917,590</u></u> |
| A Cash and Cash Equivalents | | | |
| Cash and bank balances | 12 | <u>12,262,126</u> | <u>7,917,590</u> |
| | | <u><u>12,262,126</u></u> | <u><u>7,917,590</u></u> |

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


CHIEF EXECUTIVE


Barish Ahmed
DIRECTOR

BRAINS SECURITIES (PVT) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021

| Share Capital | Revenue Reserves | Capital Reserves | Sub Total | Long term loan | Total |
|-----------------|------------------|-------------------------------|-----------|----------------|-------|
| Paid up capital | Accumulated loss | Fair value adjustment reserve | | | |

----- (R u p e e s) -----

| | | | | | | |
|---|------------|--------------|------------|------------|-----------|------------|
| Balance as at June 30, 2019 | 35,000,000 | (13,194,714) | 15,571,033 | 37,376,319 | 1,183,000 | 38,559,319 |
| Profit after taxation | - | 2,013,707 | - | 2,013,707 | - | 2,013,707 |
| Other comprehensive loss | - | - | (359,343) | (359,343) | - | (359,343) |
| Total comprehensive income for the year | - | 2,013,707 | (359,343) | 1,654,364 | - | 1,654,364 |
| Balance as at June 30, 2020 | 35,000,000 | (11,181,007) | 15,211,690 | 39,030,683 | 1,183,000 | 40,213,683 |
| Share capital issued during the year | 15,000,000 | - | - | 15,000,000 | - | 15,000,000 |
| Profit after taxation | - | 5,297,467 | - | 5,297,467 | - | 5,297,467 |
| Other comprehensive income | - | - | 242,166 | 242,166 | - | 242,166 |
| Total comprehensive income for the year | - | 5,297,467 | 242,166 | 5,539,633 | - | 5,539,633 |
| Balance as at June 30, 2021 | 50,000,000 | (5,883,540) | 15,453,856 | 59,570,316 | 1,183,000 | 60,753,316 |

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


CHIEF EXECUTIVE


DIRECTOR

BRAINS SECURITIES (PVT) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1 COMPANY AND ITS OPERATION

- 1.1 The company was incorporated as Private Limited Company on July 24, 2015 under the repealed Companies Ordinance, 1984. The company is engaged in the business of share brokerage and investment in securities. The registered office of the Company is situated at Room no. 613, 6th Floor, Stock Exchange Building, Lahore. The company is holder of Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange.

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 applicable in Pakistan comprise of:

- International 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.

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

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except as disclosed in relevant notes to the financial statements.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Pakistani Rupee, which is the company's functional and presentation currency.

2.4 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments and estimates made by management that may have a significant risk of material adjustments to the financial statements in subsequent years are as follows:

- Useful lives, residual values and depreciation method of property and equipment
- Useful lives, residual values and amortization method of intangible assets
- Valuation of investment in ordinary shares of LSE Financial Services Limited
- Provision for doubtful account receivables
- Estimation of provisions
- Estimation of contingent liabilities
- Current income tax expense, provision for current tax and recognition of deferred tax asset

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (if any).

Depreciation is charged on reducing balance method at the rates mentioned in the relevant notes to the financial statements. Depreciation on additions is charged for the month in which an asset is acquired while no depreciation is charged for the month in which an asset is disposed off. Normal repair and maintenance is charged to revenue as and when incurred, while major renewals and replacements are capitalized. The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any changes in estimate is accounted for on a prospective basis.

Gain or loss on disposal of property and equipment, if any is taken to profit or loss.

3.2 INTANGIBLE ASSETS

Intangible assets with finite useful life are stated at cost less amortization and 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 carrying value exceeds estimated recoverable amount, it is written down to estimated recoverable amount. The useful lives, residual values and amortization method are reviewed on a regular basis. The effect of any changes in estimate accounted for on a prospective basis.

3.2.1 Membership card 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.

3.2.2 Computer Software

Expenditure incurred to acquire identifiable computer software and having probable economic benefits exceeding the cost beyond one year, is recognized as an intangible asset. Such expenditure includes the purchase cost of software (license fee) and related overhead cost.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

Costs which enhance or extend the performance of computer software beyond its original specification and useful life is recognized as capital improvement and added to the original cost of the software.

Computer software and license costs are stated at cost less accumulated amortization and any identified impairment loss and amortized is charged using reducing balance method.

Amortization is charged when asset is available for use until asset is disposed off.

3.3 FINANCIAL ASSETS


Financial assets are classified in the following categories: Held-to-maturity, at fair value through profit or loss, available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

3.3.1 Held to Maturity

The investments with fixed maturity, if any, that the company has to positive intent and ability to hold to maturity. Held to maturity investments are initially measured at fair value plus transaction costs and are subsequently stated at amortized cost using the effective interest rate method less impairment, if any. These are classified as current and non-current assets in accordance with nature of investment.

3.3.2 At fair value through profit or loss

Investments classified as held for trading are included in the category of financial assets at fair value through profit or loss. These are listed securities that are acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin.



All investments are initially recognized at cost, being the fair value of the consideration given excluding acquisition charges with the investment. After initial recognition, investments are measured at their fair values. Unrealized gains and losses on investments are recognized in profit or loss of the period.

Fair values of these securities representing listed equity and debt securities are determined by reference to stock exchange quoted market prices at the close of the business on reporting date.

3.3.3 Available-for-sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

Subsequent to initial recognition at cost, these are premeasured at fair value. The Company uses latest stock exchange quotations to determine the fair value of its quoted investments whereas fair value of investments in un-quoted companies is determined by applying the appropriate valuation techniques. Gains or losses on available-for-sale investments are recognized directly in other comprehensive income until the investments are sold or disposed-off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously recognized in other comprehensive income, is re-classified from equity to profit or loss as re-classification adjustment.

3.3.3 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits, other receivable and cash and bank balances in the statement of financial position.

3.4 FINANCIAL LIABILITIES

Financial liabilities are initially measured at cost, which is the fair value, of the consideration given and subsequently carried at amortized cost using effective interest rate method.

3.5 OFF-SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability is offset and the net amount is reported in the financial statements if the Company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.6 TRADE DEBTS AND OTHER RECEIVABLES

Trade and other receivables are recognised and carried at transaction price less an allowance for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the statement of profit or loss. Bad debts are written-off in the statement of profit or loss on identification.


The allowance for doubtful debts of the Company is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer.

3.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash balances and call deposits. For the purpose of statement of cash flows; cash and cash equivalents comprise cash in hand, bank balances and running finances.

3.8 BORROWINGS

Loans are measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.



In case the loan is interest-free or carries interest below the prevalent market rate, it is initially recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. The difference between the discounted present value and actual receipt is recognised as finance income. Subsequently, the interest-free loan is measured at amortized cost, using the effective Interest rate method, this involves unwinding of discount, such that at the repayment date, the carrying value of obligation equals the amount to be repaid. The unwinding of discount is included in finance costs in the statement of profit or loss.

3.9 TAXATION

Current

Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits, brought forward losses, accelerated depreciation allowances and any minimum limits imposed by the taxation laws.

Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognized for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset may be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized for all the taxable temporary differences.

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 income statement, 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.

3.10 TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at cost, which is the fair value of the consideration to be paid, in the future for goods and services received and subsequently measured at amortized cost.

3.11 PROVISIONS


Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in the statement of profit or loss.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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



3.12 CONTINGENT LIABILITIES

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

3.13 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

Transactions denominated in foreign currencies are translated to Pakistan Rupees at the exchange rate ruling at the date of transaction.

Monetary assets and liabilities in foreign currencies at reporting date are translated into Pakistan Rupees at exchange rates ruling on that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

3.14 IMPAIRMENT OF NON-FINANCIAL ASSETS


The assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. If there is an indication of possible impairment, the recoverable amount of the asset is estimated and compared with its carrying amount.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. The impairment loss is recognised in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The Company recognises the reversal immediately in the statement of profit or loss, unless the asset is carried at a revalued amount in accordance with the revaluation model. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

3.15 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, net of any direct expenses and sales tax. Revenue is recognized on the following basis:

- Brokerage, consultancy and advisory fee, commission etc. are recognized as and when such services are provided, and thereby the performance obligations are satisfied.
 - Profit on saving accounts, profit on exposure deposits and markup on marginal financing is recognized at effective yield on time proportion basis.
 - Gains/(losses) arising on sale of investments are included in the profit or loss in the period in which they arise.
 - Dividend income is recorded when the right to receive the dividend is established.
 - Unrealised gains / (losses) arising on revaluation of securities classified as 'fair value through other comprehensive income' are included in other comprehensive income in the period in which they arise.
 - Unrealised gains / (losses) arising on revaluation of securities classified as 'fair value through profit or loss' are included in profit or loss in the period in which they arise.
 - Other revenues are recorded, as and when due, on accrual basis.
- 

3.16 BASIC AND DILUTED EARNINGS PER SHARE


The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

3.17 RELATED PARTY TRANSACTIONS

Transactions and contracts with the related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method except reason disclosed in relevant note to the financial statements, if any. Transactions with related parties have been disclosed in the relevant notes to the financial statements.

3.18 TRADE DATE ACCOUNTING

All "regular way" purchases and sales of financial assets are recognized on the trade date, i.e. the date on which the Company commits to purchase or sell an asset. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market.



5 PROPERTY AND EQUIPMENT

| Particulars | Cost | | | Rate % | Accumulated Depreciation | | | WDV As at June 30, 2021 |
|------------------------|------------------------|-----------|-------------|-----------|--------------------------|------------------------|--------------|-------------------------------|
| | As at June 30, 2020 | Additions | (deletions) | | As at June 30, 2020 | Charge for the year | (Adjustment) | |
| OWNED | | | | | | | | |
| Building | 824,728 | - | - | 10 | 119,585 | 70,514 | - | 634,629 |
| Furniture and fittings | 924,347 | 45,500 | - | 10 | 308,170 | 65,410 | - | 596,267 |
| Office equipment | 812,970 | 122,000 | - | 10 | 188,139 | 72,649 | - | 674,182 |
| Computers | 630,251 | 77,000 | - | 30 | 458,806 | 70,684 | - | 177,761 |
| | 3,192,296 | 244,500 | - | | 1,074,700 | 279,257 | - | 2,082,839 |

5.1 PROPERTY AND EQUIPMENT

| Particulars | Cost | | | Rate % | Accumulated Depreciation | | | WDV As at June 30, 2020 |
|------------------------|------------------------|-----------|-------------|-----------|--------------------------|------------------------|--------------|-------------------------------|
| | As at June 30, 2019 | Additions | (deletions) | | As at June 30, 2019 | Charge for the year | (Adjustment) | |
| -----Rupees----- | | | | | | | | |
| OWNED | | | | | | | | |
| -----Rupees----- | | | | | | | | |
| Building | 824,728 | - | - | 10 | 41,236 | 78,349 | - | 119,585 |
| Furniture and fittings | 924,347 | - | - | 10 | 239,706 | 68,464 | - | 308,170 |
| Office equipment | 626,970 | 186,000 | - | 10 | 118,713 | 69,426 | - | 188,139 |
| Computers | 549,251 | 81,000 | - | 30 | 385,330 | 73,476 | - | 458,806 |
| | 2,925,296 | 267,000 | - | | 784,985 | 289,715 | - | 1,074,700 |
| | | | | | | | | 2,117,596 |

5.2 Allocation of Depreciation:

| | Rupees 2020 | Rupees 2021 | Note |
|--------------------|----------------|----------------|------|
| Operating expenses | 289,715 | 279,257 | 22 |

| | Note | 2021 Rupees | 2020 Rupees |
|--|------|------------------|------------------|
| 6 INTANGIBLE ASSETS | | | |
| Rights of room | | 7,000,000 | 7,000,000 |
| Trading right entitlement certificate (TREC) | 6.1 | 2,500,000 | 2,500,000 |
| Computer software | 6.2 | 216,475 | 240,528 |
| | | <u>9,716,475</u> | <u>9,740,528</u> |

- 6.1 It represents Trading Right Entitlement Certificate (TREC) received from the Pakistan Stock Exchange Limited without any additional payment, in lieu of TREC issued by the Lahore Stock Exchange Limited, surrendered on, January 10, 2016 on the consequence of Scheme(s) of Integration approved by the Securities and Exchange Commission of Pakistan vide Order No. 01/2016 dated January 11, 2016 under regulation 6 (8) of the Stock Exchange (Corporatization, Demutualization and Integration) Regulations, 2012. The Trading Right Entitlement Certificate is pledged/mortgaged with the Pakistan Stock Exchange Limited as a collateral for running the brokerage business.

| | Note | 2021 Rupees | 2020 Rupees |
|---------------------------|------|----------------|----------------|
| 6.2 Software | | | |
| Cost: | | | |
| Balance as at July 01, | | 382,000 | 382,000 |
| Additions during the year | | - | - |
| Balance as at June 30, | | 382,000 | 382,000 |
| Amortization: | | | |
| Balance as at July 01, | | 141,472 | 114,747 |
| Charge for the year | 22 | 24,053 | 26,725 |
| Balance as at June 30, | | 165,525 | 141,472 |
| Net book value | | <u>216,475</u> | <u>240,528</u> |
| Rate of amortization | | <u>10%</u> | <u>10%</u> |

7 LONG TERM INVESTMENT

Unquoted - Shares of LSE Financial Services Limited:

Available for sale investment

| | | |
|-----------------------|-------------------|-------------------|
| Cost as at July 01, | 1,310,267 | 1,310,267 |
| Fair value adjustment | 15,453,856 | 15,211,690 |
| | <u>16,764,123</u> | <u>16,521,957</u> |

- 7.1 Pursuant to the promulgation of the Stock Exchanges (Corporation, Demutualization and Integration) Act, 2012 (The Act), The Lahore Stock Exchange Limited, now LSE Financial Services Limited had allotted 781,180 shares of the face value of Rs. 10 each to the TREC holder. All shares are held in freeze status in the respective CDC sub-account of the TREC holder. The divestment of the same will be made in accordance with the requirements of the Act within one year from the date of Scheme(s) of Integration approved by the Securities and Exchange Commission of Pakistan vide Order No. 01/2016 dated January 11, 2016 under regulation 6 (8) of the Stock Exchange (Corporatization, Demutualization and Integration) Regulations, 2012. The Company has pledged 781,180 shares of LSE Financial Services Limited with the Pakistan Stock Exchange to fulfill the Base Minimum Capital requirement.

The Company, as per its policy, carried out the valuation of the aforementioned investments. In this connection, the valuation technique used by the Company was Discounted Cash Flow of Earnings method. Assumptions and inputs used in the valuation are post-tax earnings, historic growth rate of earning, rate of return on equity, risk premium. Principal assumptions used in the valuation of above unquoted investments are based on current market/industry conditions in respect of discount rate and growth rate. Business net cash flow forecast over an indefinite (infinity) has been assumed after projection period of 5 years.

| | Note | 2021 Rupees | 2020 Rupees |
|--|------|-------------------|-------------------|
| 8 LONG TERM DEPOSITS | | | |
| Deposits with: | | | |
| National Clearing Company of Pakistan Ltd. | | 1,400,000 | 1,400,000 |
| Central Depository Company of Pakistan Ltd. | | 100,000 | 100,000 |
| | | <u>1,500,000</u> | <u>1,500,000</u> |
| 9 ACCOUNTS RECEIVABLES | | | |
| Receivable from clients on account of: | | | |
| Clients on account of purchase of shares | | 23,154,329 | 14,107,552 |
| Related parties on account of purchase of shares | 9.1 | 2,823,111 | 2,831,666 |
| Balances written off | | (12,845) | - |
| | | 25,964,595✓ | 16,939,218 |
| Less: Provision for doubtful debts | | (9,838,204)✓ | (7,332,725) |
| | 9.2 | 16,126,391 | 9,606,493 |
| National Clearing Company of Pakistan Ltd. | | ✓7,875,151 | 2,020,224 |
| | | <u>24,001,542</u> | <u>11,626,717</u> |

9.1 Receivable from related parties comprises of the following:

| Name | Basis of relationship | Maximum aggregate amount Rupees | 2021 Rupees | 2020 Rupees |
|------------------------|-----------------------------|------------------------------------|------------------|------------------|
| Chaudhry Zahid Hussain | Chief Executive | 5,352,960 | 2,211,445 | 217,890 |
| Saad Zahid Chaudary | Relative of Chief Executive | - | - | 2,064 |
| Muhammad Rizwan Zafar | Director | - | - | 236,638 |
| Syed Ali Raza | Key Management personnel | - | - | 2,182,335 |
| Syed Abbas Raza | Major Shareholder | 7,123,665 | 611,666 | 192,739 |
| | | | <u>2,823,111</u> | <u>2,831,666</u> |

9.2 Ageing analysis of the amounts due from related parties as follows:

| | Upto 1 months | 1 to 6 months | More than 6 months | As at June 30, 2021 |
|------------------------|------------------|---------------|--------------------|---------------------|
| | -----Rupees----- | | | |
| Chaudhry Zahid Hussain | 2,211,445 | - | - | 2,211,445 |
| Syed Abbas Raza | - | - | 611,666 | 611,666 |
| | <u>2,211,445</u> | <u>-</u> | <u>611,666</u> | <u>2,823,111</u> |

9.2 Movement is as follows

| | Note | 2021 Rupees | 2020 Rupees |
|--------------------------------|-------|------------------|------------------|
| Opening Balance | | 7,332,725 | 8,847,246 |
| Provision made during the year | 23 | 2,518,324 | (1,514,521) |
| Balances written off | | (12,845) | - |
| | 9.2.1 | <u>9,838,204</u> | <u>7,332,725</u> |

9.2.1 This includes provision amounting Rs. 1,577,418 and Rs. 611,666 against receivable from Chaudhary Zahid Hussain and Syed Abbas Raza respectively. Provision is based on balances outstanding for more than 5 days exceeding market value of holding securities after VAR haircut.

| | Note | 2021 Rupees | 2020 Rupees |
|---------------------|------|-------------------|-------------------|
| Upto five days | | 8,304,852 | 3,497,990 |
| More than five days | | 15,696,690 | 8,128,727 |
| | | <u>24,001,542</u> | <u>11,626,717</u> |

10 LOANS AND ADVANCES

(Unsecured but considered good by the management)

Advances to:

| | | | |
|---------------|------|----------------|------------------|
| Employees | | 978,000 | 1,572,352 |
| Related party | 10.1 | 183 | 104,615 |
| | | <u>978,183</u> | <u>1,676,967</u> |

10.1 Advance to Company secretary-Mr. Syed Ali Raza

| | | |
|--|----------------|----------------|
| Balance as at July 01, | 104,615 | 299,235 |
| Disbursed during the year | 419,068 | 280,380 |
| | <u>523,683</u> | <u>579,615</u> |
| Repayments/ adjustments made during the year | (523,500) | (475,000) |
| | <u>183</u> | <u>104,615</u> |

10.2 Ageing analysis of the amounts due from related parties as follows:

| | Upto 1 months | 1 to 6 months | More than 6 months | As at June 30, 2021 | As at June 30, 2020 |
|---------------|------------------|---------------|-----------------------|------------------------|------------------------|
| | -----Rupees----- | | | | |
| Syed Ali Raza | - | - | 183 | 183 | 104,615 |

10.3 The maximum aggregate amount outstanding at the month-end balance was amounting Rs. 307,236 (2020: Rs. 426,575).

| 11 TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND CURRENT ACCOUNT BALANCE WITH STATUTORY AUTHORITIES | Note | 2021 Rupees | 2020 Rupees |
|---|------|-------------------|------------------|
| Deposits with: | | | |
| National Clearing Company of Pakistan Ltd. | 11.1 | 18,832,000 | 4,681,660 |
| Tax deducted at source | | - | 434,918 |
| | | <u>18,832,000</u> | <u>5,116,578</u> |

11.1 This represents deposit with National Clearing Company of Pakistan Limited against exposure margin in respect of trade in future and ready market. These deposits carry profit at rates ranging from 3% to 5% (2020: 6% to 12%) per annum.

| 12 CASH AND BANK BALANCES | Note | 2021 Rupees | 2020 Rupees |
|-------------------------------|------|-------------------|------------------|
| These were held as under: | | | |
| Cash in hand | | 801,150 | 1,066,598 |
| Cash at bank | | | |
| Current accounts: | | | |
| Pertaining to brokerage house | | 369,422 | 688,620 |
| Pertaining to clients | | 11,091,554 | 6,162,372 |
| | | <u>11,460,976</u> | <u>6,850,992</u> |
| | | <u>12,262,126</u> | <u>7,917,590</u> |

13 SHARE CAPITAL

| | | | |
|--|------|-------------------|-------------------|
| Authorized | | | |
| 500,000 (2020: 350,000) ordinary shares of Rs.100 each | | <u>50,000,000</u> | <u>35,000,000</u> |
| Issued, subscribed and paid up | | | |
| 500,000 (2020: 350,000) ordinary shares of Rs.100 each fully paid in cash | 13.1 | <u>50,000,000</u> | <u>35,000,000</u> |

13.1 Pattern of Shareholding:

| | % age of Shares Held | | Number of Shares Held | |
|-----------------------------------|----------------------|-------------|-----------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Categories of shareholders | | | | |
| Individuals | | | | |
| Chief Executive | | | | |
| Chaudhary Zahid Hussain | 51.0% | 99.5% | 255,000 | 348,250 |
| Ex-Director | | | | |
| Muhammad Rizwan Zafar Khan | 0.0% | 0.5% | - | 1,750 |
| Director | | | | |
| Bahsir Ahmad Bajwa | 0.5% | 0.0% | 2,500 | - |
| Shareholder | | | | |
| Syed Abbas Raza | 48.5% | 0.0% | 242,500 | - |
| | <u>100%</u> | <u>100%</u> | <u>500,000</u> | <u>350,000</u> |

14 FAIR VALUE ADJUSTMENT RESERVE

This represents accumulated gain on available for sale investment and it will be reclassified to statement of profit or loss upon disposal of related investment.

| | | 2021 Rupees | 2020 Rupees |
|---|-------------|------------------|------------------|
| 15 LONG TERM LOAN FROM THE CHIEF EXECUTIVE | Note | | |
| From related party: | | | |
| Mr. Zahid Hussain-Chief Executive | 15.1 | <u>1,183,000</u> | <u>1,183,000</u> |

- 15.1 This represents interest free and un-secured loan obtained from the Chief Executive of the company. The loan is subordinated to all other debts of the company. The loan is repayable after three years which would be subject to enough cash flows of the company, i.e. at the discretion of the company. However, repayment may be deferred beyond the due date as mutually agreed between the parties. The company has obtained loan in order to maintain the company's operations cost effective.

| | 2021 Rupees | 2020 Rupees |
|--|--------------------|--------------------|
| 16 DEFERRED TAXATION | | |
| Deferred credits/(debits) arising due to: | | |
| Accelerated tax depreciation | 159,251 | 151,245 |
| Provision for doubtful debts | (2,853,079) | (2,029,974) |
| Alternative corporate tax | - | (756,178) |
| | <u>(2,693,828)</u> | <u>(2,634,907)</u> |
| Balance as at July 01, | - | - |
| Add: Charge for the year in profit or loss | <u>2,693,828</u> | - |
| | <u>2,693,828</u> | - |

At the year ended June 30, 2020, net deductible temporary differences and tax credits resulted in a net deferred tax asset of Rs.2,634,907. However, deferred tax asset was not recognized in the financial statements being prudent.

| | Note | 2021 Rupees | 2020 Rupees |
|--|------|------------------|------------------|
| 17 DEPOSITS, ACCRUED LIABILITIES AND ADVANCES | | | |
| Accrued expenses | 17.1 | 8,437,772 | 4,781,606 |
| Punjab workers welfare fund | 23 | 125,175 | 51,387 |
| | | <u>8,562,947</u> | <u>4,832,993</u> |

17.1 This includes remuneration payable to Mr. Zahid Hussain-Chief Executive of the company amounting Rs.285,000 (2020: 3,981,500).

| | Note | 2021 Rupees | 2020 Rupees |
|---|-----------|-------------------|-------------------|
| 18 TRADE AND OTHER PAYABLES | | | |
| Creditors for sale of shares on behalf of clients | 18.1&18.2 | 16,880,168 | 10,689,261 |
| Tax deducted at source payable | | ✓ 1,754,438 | 79,474 |
| | | <u>18,634,606</u> | <u>10,768,735</u> |

18.1 The total value of securities pertaining to clients is Rs. 194,618,996 (2020: Rs. 101,516,755) held in sub-accounts of the Company. No client's security is pledged with the financial institutions except with National Clearing Company of Pakistan Limited amounting Rs. 24,674,368 (2020: Rs.22,708,066) for exposure margin.

18.2 This include following payable due to related parties:

| Name of related party | Basis of relationship | 2021 Rupees | 2020 Rupees |
|-------------------------|-----------------------------|----------------|----------------|
| Saad Zahid Chaudary | Relative of Chief Executive | 5,444 | - |
| Muhammad Rizwan Zafar | Ex-Director | 220,515 | - |
| Syed Ali Raza | Company Secretary | 178,561 | - |
| Shagufta Zahid Chaudary | Reletive of chief executive | - | 74,479 |
| | | <u>404,520</u> | <u>74,479</u> |

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

The Executive Director, Adjudication Department-I, Adjudication Division, Securities and Exchange Commission of Pakistan, Islamabad (hereinafter called as "Adjudication Officer") issued an Impugned Order on February 19, 2021 against the company after issuance of a Show Cause Notice dated January 01, 2021 providing personal hearing on January 28, 2021. In the said order, the Adjudication Officer imposed a penalty of Rs. 875,000 on the Company under section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (the "Act") on alleged violations of various provisions of the Securities and Exchange Commission (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the "AML Regulations"). The Company has filed an appeal on March 19, 2021 against the decision of the Adjudication Officer The Appeal is pending before the Appellate Bench of the Commission for hearing till date. The legal advisor of the company is of the opinion that Impugned Order of the Adjudication Officer will be declared annul and void based on the technical facts of the case.

19.2 Commitments

Commitments as at reporting date were Rs. Nil (2020: Rs. Nil).

| 20 | BROKERAGE AND COMMISSION | Note | 2021 Rupees | 2020 Rupees |
|----|--------------------------|------|-------------------|-------------------|
| | Brokerage and commission | | 47,621,486 | 15,322,840 |
| | Less: Sales tax | | (6,568,481) | (2,113,495) |
| | | | <u>41,053,005</u> | <u>13,209,345</u> |

20.1 Commission from retail customers includes the commission earned from following related parties:

| Name of related party | Basis of relationship | Note | 2021 Rupees | 2020 Rupees |
|-------------------------|-----------------------------|------|----------------|----------------|
| Chaudary Zahid Hussain | Chief Executive | | 49,143 | 40,663 |
| Shagufta Zahid Chaudary | Relative of Chief Executive | | 7,396 | 7,350 |
| Rizwan Zafar Khan | Ex-Director | | 33,490 | 4,500 |
| Syed Ali Raza | Company Secretary | | 11,536 | 36,650 |
| Syed Abbas Raza | Major Shareholder | | 302 | 757 |
| | | | <u>101,867</u> | <u>89,920</u> |

21 DIRECT COST

Charges paid to:

| | | | |
|---|------|-------------------|------------------|
| National Clearing Company of Pakistan Ltd. | | 1,259,766 | 270,382 |
| Central Depository Company of Pakistan Ltd. | | 292,502 | 148,329 |
| Pakistan Stock Exchange Ltd. | | 1,777,816 | 338,636 |
| Commission/incentive paid | 21.1 | <u>13,971,431</u> | <u>2,968,695</u> |
| | | <u>17,301,515</u> | <u>3,726,042</u> |

21.1 This includes amount paid to Chaudary Zahid Hussain-Chief Executive of the company amounting Rs.297,246 (2020: Rs. nil).

| 22 | OPERATING EXPENSES | Note | 2021 Rupees | 2020 Rupees |
|----|--------------------------------|------|-------------------|------------------|
| | Directors' remuneration | | 3,420,000 | 4,200,000 |
| | Staff salaries and benefits | | 11,674,900 | 2,175,250 |
| | Rent, rates and taxes | | 43,071 | 342,517 |
| | Communication expenses | | 229,675 | 187,380 |
| | Postage and courier | | 17,739 | 6,171 |
| | Utility charges | | 232,341 | 181,860 |
| | Travelling and conveyance | | 64,100 | 41,463 |
| | Printing and stationery | | 89,184 | 57,610 |
| | Repair and maintenance | | 326,426 | 214,564 |
| | Legal and professional charges | 22.1 | 557,050 | 263,910 |
| | Fee and subscription | | 129,640 | 71,985 |
| | Entertainment | | 853,961 | 580,449 |
| | Insurance expense | | 2,761 | 4,105 |
| | Software expenses | | 753,519 | 499,204 |
| | Depreciation | 5 | 279,257 | 289,715 |
| | Amortization | 6.2 | 24,053 | 26,725 |
| | Miscellaneous | | <u>142,182</u> | <u>177,413</u> |
| | | | <u>18,839,859</u> | <u>9,320,321</u> |

22.1 Auditor's remuneration

The audit fee and remuneration for other services included in the financial statements is as follows:

| | Note | 2021 Rupees | 2020 Rupees |
|---|------|----------------|----------------|
| Amin, Mudassar & Co. Chartered Accountants | | | |
| Statutory audit | | 94,500 | 81,900 |
| Certification fee for regulatory purposes | | 98,750 | 62,710 |
| | | <u>193,250</u> | <u>144,610</u> |

23 OTHER OPERATING EXPENSES

| | | |
|------------------------------|------------------|---------------|
| Provision for doubtful debts | 2,518,324 | - |
| Punjab workers welfare fund | 125,175 | 51,387 |
| | <u>2,643,499</u> | <u>51,387</u> |

24 OTHER INCOME

Income from financial assets

| | | |
|--|------------------|------------------|
| Dividend income | 546,826 | 624,944 |
| Interest income | 681,995 | 531,983 |
| Reversal of provision for doubtful debts | - | 1,514,521 |
| | <u>1,228,821</u> | <u>2,671,448</u> |

Income from assets other than financial assets

| | | |
|--------------|------------------|------------------|
| Other income | 242,000 | - |
| | <u>242,000</u> | <u>-</u> |
| | <u>1,470,821</u> | <u>2,671,448</u> |

25 FINANCE COST

| | | |
|--------------|---------------|---------------|
| Bank charges | <u>13,320</u> | <u>11,354</u> |
|--------------|---------------|---------------|

26 TAXATION

| | | |
|-------------|--------------------|----------------|
| Income tax: | | |
| -Current | 1,105,052 | 555,632 |
| -Deferred | (2,693,828) | - |
| | <u>(1,588,776)</u> | <u>555,632</u> |

26.1 Reconciliation of tax expense and accounting profit:

| | Note | 2021 Rupees |
|--------------------------------------|------|--------------------|
| Profit before tax | | <u>3,708,691</u> |
| Tax of profit before tax @ 29% | | 1,075,520 |
| Tax effect on inadmissible expense | | 846,091 |
| Tax effect on admissible expense | | (124,033) |
| Effect of deferred tax | | (2,693,828) |
| Tax on income under final tax regime | | 63,651 |
| Adjustment of tax credits | | <u>(756,178)</u> |
| | | <u>(1,588,776)</u> |

26.2 No tax reconciliation has been presented in respect of previous year as the company was liable to pay tax under final or alternative tax regime of the Income Tax Ordinance, 2001.

| | 2021 | 2020 |
|--|------------------|------------------|
| 27 EARNINGS PER SHARE- BASIC AND DILUTED | | |
| Profit for the year-Rupees | <u>5,297,467</u> | <u>2,013,707</u> |
| Weighted average number of ordinary shares outstanding during the year -Numbers | <u>375,479</u> | <u>350,000</u> |
| Earnings per share-Rupees | <u>14.11</u> | <u>5.75</u> |

28 REMUNERATION TO CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits to the chief executive, directors and executives of the company is as follows:

| | 2021 | | |
|-------------------------|--------------------|------------------|------------------|
| | Chief Executive | Director | Executives |
| Managerial remuneration | 1,636,364 | 1,472,727 | 7,030,000 |
| Medical allowance | <u>163,636</u> | <u>147,273</u> | <u>703,000</u> |
| | <u>1,800,000</u> | <u>1,620,000</u> | <u>7,733,000</u> |
| Number of persons | <u>1</u> | <u>1</u> | <u>5</u> |
| | 2020 | | |
| | Chief Executive | Director | Executives |
| Managerial remuneration | 3,818,182 | - | - |
| Medical allowance | <u>381,818</u> | <u>-</u> | <u>-</u> |
| | <u>4,200,000</u> | <u>-</u> | <u>-</u> |
| Number of persons | <u>1</u> | <u>1</u> | <u>-</u> |

33 LIQUID CAPITAL BALANCE

The liquid capital balance has been prepared on the basis of Securities Brokers (Licensing and Operations) Regulations, 2016 (The Regulations) issued by Securities and Exchange Commission of Pakistan.

| S. No. | Head of Account | Value in Pak Rupees | Hair Cut / Adjustments | Net Adjusted Value |
|------------------|--|---------------------|------------------------|--------------------|
| 1. Assets | | | | |
| 1.1 | Property & Equipment | 2,082,839 | 100.00% | - |
| 1.2 | Intangible Assets | 9,716,475 | 100.00% | - |
| 1.3 | Investment in Govt. Securities | - | - | - |
| | Investment in Debt Securities | | | |
| | If listed than: | | | |
| | i. 5% of the balance sheet value in the case of tenure upto 1 year. | - | 5.00% | - |
| | ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years. | - | 7.50% | - |
| 1.4 | iii. 10% of the balance sheet value, in the case of tenure of more than 3 years. | - | 10.00% | - |
| | If unlisted than: | | | |
| | i. 10% of the balance sheet value in the case of tenure upto 1 year. | - | 10.00% | - |
| | ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years. | - | 12.50% | - |
| | iii. 15% of the balance sheet value, in the case of tenure of more than 3 years. | - | 15.00% | - |
| | 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. | - | - | - |
| | ii. If unlisted, 100% of carrying value. | 16,764,123 | 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 are not included in the investments of securities broker | - | - | - |
| 1.5 | 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 | - | 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. | - | - | - |
| | ii. If unlisted, 100% of net value. | - | 100.00% | - |
| 1.8 | Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity. | 1,500,000 | 100.00% | - |
| 1.9 | Margin deposits with exchange and clearing house. | 18,832,000 | - | 18,832,000 |
| 1.10 | Deposit with authorized intermediary against borrowed securities under SLB. | - | - | - |
| 1.11 | Other deposits and prepayments | 2,693,828 | 100.00% | - |
| 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. (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 | - | - | - |
| | Receivables other than trade receivables | 978,183 | 100.00% | - |
| | Receivables from clearing house or securities exchange(s) | | | |
| 1.16 | i. 100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains. | 7,875,151 | - | 7,875,151 |
| | ii) Receivable on entitlements against trading of securities in all markets including MTM gains. | - | - | - |
| | 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. | - | - | - |

| S. No. | Head of Account | Value in Pak Rupees | Hair Cut/ Adjustments | Net Adjusted Value |
|---|--|---------------------|-----------------------|--------------------|
| 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 securities lending and borrowing The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed | - | - | - |
| 3.3 | Net underwriting Commitments (a) in the case of right issue : if the market value of securities is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting (b) in any other case : 12.5% of the net underwriting commitments | - | - | - |
| 3.4 | Negative equity of subsidiary The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary | - | - | - |
| 3.5 | Foreign exchange agreements and foreign currency positions 5% of the net position in foreign currency. Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency | - | - | - |
| 3.6 | Amount Payable under REPO | - | - | - |
| 3.7 | Repo adjustment In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities. In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received ,less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser. | - | - | - |
| 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 | - | - | - |
| 3.9 | Opening Positions in futures and options i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/ pledged with securities exchange after applying VaR haircuts ii. In case of proprietary positions , the total margin requirements in respect of open positions to the extent not already met | - | - | - |
| 3.10 | Short sell positions 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 | - | - | - |

Liquid Capital Balance

60,753,316

26,383,841

26,383,841

34 NET CAPITAL BALANCE

The net capital balance has been prepared on the basis of Securities Exchange Commission (SEC) Rules, 1971, the Securities Brokers (Licensing and Operations) Regulation, 2016 (The Regulations) and guidelines issued by Securities and Exchange Commission of Pakistan.

| | Rupees | Rupees |
|---|------------|-------------------|
| CURRENT ASSETS | | |
| Margin Deposit with Clearing Houses | | |
| National Clearing Company of Pakistan Limited | 18,832,000 | 18,832,000 |
| Cash in hand and bank balances | | |
| Bank balances | | |
| Pertaining to Brokerage House | 369,422 | |
| Pertaining to Clients | 11,091,554 | |
| | 11,460,976 | |
| Cash in hand | 801,150 | 12,262,126 |
| Trade Receivables | | |
| Receivable from National Clearing Company of Pakistan Limited | 7,875,151 | |
| Receivables from clients | 25,964,595 | |
| Less: Outstanding for more than 14 days | 10,636,862 | |
| | 15,327,733 | 23,202,884 |
| Investment in Listed Securities | | |
| Securities appearing and owned by Brokerage House | - | |
| Less: 15% discount | - | - |
| Securities purchased for clients | | |
| Receivable from clients after expiry of 14 days | 3,715,575 | 3,715,575 |
| | | 58,012,585 |
| LESS: CURRENT LIABILITIES | | |
| Trade and other payables | | |
| Overdue payables | 16,880,168 | |
| Less: Overdue more than 30 days | 4,572,088 | |
| | 12,308,080 | |
| Other Liabilities | | |
| Trade payables overdue more than 30 days | 4,572,088 | |
| Accrued expenses | 8,437,772 | |
| Other liabilities | 1,879,613 | |
| Provision for taxation | 880,247 | |
| | 15,769,720 | 28,077,800 |
| NET CAPITAL BALANCE | | <u>29,934,785</u> |

35 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 05 OCT 2021 by the Board of Directors of the Company.

*for
Naveed
Chaudhary*

CHIEF EXECUTIVE

Bashir Ahmad
DIRECTOR

| S. No. | Head of Account | Value in Pak Rupees | Hair Cut / Adjustments | Net Adjusted Value |
|--------|--|---------------------|------------------------|--------------------|
| 1.17 | ii. Incase receivables are against margin trading, 5% of the net balance sheet value. <i>ii. Net amount after deducting haircut</i> | - | 5.00% | - |
| | iii. Incase 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. Incase of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. <i>iv. Balance sheet value</i> | 8,235,175 | - | 8,235,175 |
| | 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. <i>v. Lower of net balance sheet value or value determined through adjustments</i> | 7,257,189 | | 7,257,189 |
| | <i>vi. 100% haircut in the case of amount receivable from related parties.</i> | 634,027 | 100.00% | - |
| | Cash and Bank balances | | | |
| 1.18 | i. Bank Balance-proprietary accounts | 369,422 | - | 369,422 |
| | ii. Bank balance-customer accounts | 11,091,554 | - | 11,091,554 |
| | iii. Cash in hand | 801,150 | - | 801,150 |
| 1.19 | Total Assets | 88,831,116 | | 54,461,641 |

2. Liabilities

| | | | | |
|-----|--|-------------------|---|-------------------|
| 2.1 | Trade Payables | | | |
| | i. Payable to exchanges and clearing house | - | - | - |
| | ii. Payable against leveraged market products | - | - | - |
| | iii. Payable to customers | 16,880,168 | - | 16,880,168 |
| 2.2 | Current Liabilities | | | |
| | i. Statutory and regulatory dues | 1,879,613 | - | 1,879,613 |
| | ii. Accruals and other payables | 8,437,772 | - | 8,437,772 |
| | iii. Short-term borrowings | - | - | - |
| | iv. Current portion of subordinated loans | - | - | - |
| | v. Current portion of long term liabilities | - | - | - |
| | vi. Deferred Liabilities | - | - | - |
| | vii. Provision for bad debts | - | - | - |
| | viii. Provision for taxation | 880,247 | - | 880,247 |
| | 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 institution: Long term portion of financing obtained from a financial institution including amount due against finance lease | | | |
| | b. Other long-term financing | | | |
| | ii. Staff retirement benefits | - | - | - |
| | iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Board of Directors of the company has approved the increase in capital c. Relevant Regulatory approvals have been obtained d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e. Auditor is satisfied that such advance is against the increase of capital. | - | - | - |
| | iv. Other liabilities as per accounting principles and included in the financial statements | - | - | - |
| | Subordinated Loans | - | - | - |
| | 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 | - | - | - |
| | | | | |
| 2.5 | Total Liabilities | 28,077,800 | | 28,077,800 |

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