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Reanda Haroon Zakaria & Company
Chartered Accountants

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

Qualified Opinion

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

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity, and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

The Company has not carried out actuarial valuation of staff gratuity (staff retirement benefit) for determination of the liability in accordance with the Projected Unit Credit (PUC) method as prescribed by the "International Accounting Standard - 19 Employee Benefits" along with required disclosures. In the absence of actuarial valuation, we were unable to identify the amount of any adjustment to the liability against staff retirement benefits of the Company.

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 qualified opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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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.

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- 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) except for the matter described in the *Basis for Qualified Opinion* section of our report, proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) except for the matter described in the *Basis for Qualified Opinion* section of our report, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no zakat is deductible at source under the Zakat and Ushr Ordinance, 1980.

e) the Company was in compliance with the requirements of section 78 of the Securities Act 2015, section 62 of the Future Market Act 2016 and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations 2016 as at the date on which the statement of financial position was prepared.

The engagement partner on the audit resulting in this independent auditor's report is **Mohammad Iqbal**.

RHZCO Reanda Haroon Zakaria & Co
Reanda Haroon Zakaria & Company
Chartered Accountants

Place: Karachi
Dated: 02 OCT 2020

ALFA ADHI SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	*2020 Rupees*	*2019 Rupees*
ASSETS			
Non-Current Assets			
Property and equipment	5	**21,962,910**	23,070,734
Investment properties	6	**6,500,000**	-
Intangible assets	7	**3,058,931**	3,200,898
Long term deposits	8	**5,264,000**	5,264,000
		36,785,841	31,535,632
Current Assets			
Trade debts	9	**47,149,467**	50,763,957
Commission receivable	10	**3,203,273**	-
Loans and advances	11	**27,341,374**	23,501,253
Deposits and other receivables	12	**19,214,630**	7,531,773
Short term investments	13	**12,116,250**	16,870,092
Income tax refunds due from government	14	**12,001,415**	12,287,288
Cash and bank balances	15	**63,455,743**	21,170,753
		184,482,152	132,125,116
Total Assets		**221,267,993**	163,660,748
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital			
10,000,000 Ordinary shares of Rs.10 each		**100,000,000**	100,000,000
Issued, subscribed and paid-up share capital	16	**50,490,000**	50,490,000
Revenue reserve			
Unappropriated profit		**74,459,655**	78,870,497
Capital reserve			
Surplus on revaluation of property	17	**7,080,188**	7,454,698
Shareholders' equity		**132,029,843**	136,815,195
Non-Current Liabilities			
Deferred liabilities	18	**2,997,491**	3,376,591
Current Liabilities			
Trade and other payables	19	**60,905,767**	18,720,203
Short term borrowing	20	**24,941,642**	4,022,738
Mark-up accrued		**393,250**	726,021
		86,240,659	23,468,962
Contingencies and Commitments	21		
Total Equity and Liabilities		**221,267,993**	163,660,748

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

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Chief Executive ***Director***

ALFA ADHI SECURITIES (PVT) LTD PSX 021

ALFA ADHI SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Operating revenue	22	**32,094,332**	19,022,936
Operating and administrative expenses	23	**25,265,447**	23,550,631
Operating profit / (loss)		**6,828,885**	(4,527,695)
Finance cost	24	**2,628,722**	3,331,247
Other expenses	25	**9,686,419**	15,374,872
		(12,315,141)	(18,706,119)
		(5,486,256)	(23,233,814)
Other income	26	**2,010,958**	2,133,489
Loss before taxation		**(3,475,298)**	(21,100,325)
Taxation - net	27	**(1,310,054)**	3,396,153
Loss after taxation		**(4,785,352)**	(17,704,172)
Other comprehensive income		-	-
Total comprehensive loss		**(4,785,352)**	(17,704,172)

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

RHZ

Chief Executive

PSX .021 ALFA ADHI SECURITIES (PVT) LTD.

Director

ALFA ADHI SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

Description	Share capital	Reserves			Shareholders' equity
		Revenue	Capital		
		Unappropriated profit	Surplus on revaluation of property	Total reserves	
	----------	----------	Rupees	----------	----------
Balance as at June 30, 2018 - *Restated*	50,490,000	96,180,448	7,848,919	104,029,367	154,519,367
Total comprehensive loss for the year ended June 30, 2019					
Loss after taxation	-	(17,704,172)	-	(17,704,172)	(17,704,172)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	(17,704,172)	-	(17,704,172)	(17,704,172)
Transferred from surplus on revaluation on account of incremental depreciation - net of deferred tax	-	394,221	(394,221)	-	-
Balance as at June 30, 2019	**50,490,000**	**78,870,497**	**7,454,698**	**86,325,195**	**136,815,195**
Total comprehensive loss for the year ended June 30, 2020					
Loss after taxation	-	**(4,785,352)**	-	**(4,785,352)**	**(4,785,352)**
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	**(4,785,352)**	-	**(4,785,352)**	**(4,785,352)**
Transferred from surplus on revaluation on account of incremental depreciation - net of deferred tax	-	**374,510**	**(374,510)**	-	-
Balance as at June 30, 2020	**50,490,000**	**74,459,655**	**7,080,188**	**81,539,843**	**132,029,843**

Unappropriated profit can be utilized for meeting any contingencies and distribution of profits by way of dividend.

Surplus on revaluation of property will be utilized for any purpose only after it is realized and transferred to unappropriated profits. However, these reserves can be individually offset against losses arising in future periods (if any) from revalued assets.

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

RHZco

Chief Executive

ADHI SECURITIES (PVT) LTD. ★ ALFA
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Director

ALFA ADHI SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(3,475,298)**	(21,100,325)
Adjustment for:			
Depreciation	5	**1,695,413**	1,842,594
Amortization	7.2 & 7.3	**141,967**	141,967
Provision in respect of employees gratuity fund	18.1	**505,900**	569,750
Capital loss on disposal of investments	25	**-**	2,923,212
Provision for doubtful receivable	25	**1,040,048**	-
Capital gain on disposal of investments	26	**(353,104)**	-
Mark up against margin financing	26	**-**	(1,178,599)
Financial charges	24	**2,628,722**	3,331,247
Remeasurement loss on investment	13	**3,772,409**	7,964,832
		9,431,355	15,595,003
Cash generated from / (used in) operating activities before working capital changes		**5,956,057**	(5,505,322)
(Increase) / decrease in current assets			
Trade debts		**3,614,490**	6,133,380
Commission receivable		**(3,203,273)**	
Loans and advances		**(3,840,121)**	(15,739,497)
Deposits and other receivables		**(12,722,905)**	(397,823)
Increase / (decrease) in current liabilities			
Trade and other payables		**42,185,564**	(10,524,668)
		26,033,755	(20,528,608)
Cash generated from / (used in) operations		**31,989,812**	(26,033,930)
Financial charges paid		**(2,961,493)**	(2,706,141)
Income taxes paid	14.1	**(1,024,181)**	(2,323,268)
Gratuity paid	18.1	**(885,000)**	(646,000)
Long term deposits refunded		**-**	(518,384)
Net cash generated from / (used in) operating activities		**27,119,138**	(32,227,723)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed assets expenditure incurred	5	**(587,589)**	(215,780)
Purchase of investment properties	6	**(6,500,000)**	-
Short term investments - net		**1,334,537**	9,968,820
Net cash (used in) / generated from investing activities		**(5,753,052)**	9,753,040
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowing obtained		**20,918,904**	4,022,738
Net cash generated from financing activities		**20,918,904**	4,022,738
Net increase / (decrease) in cash and cash equivalent (A+B+C)		**42,284,990**	(18,451,945)
Cash and cash equivalents at the beginning of the year		**21,170,753**	39,622,698
Cash and cash equivalents at the end of the year		**63,455,743**	21,170,753

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

RHZeo

Chief Executive

Director

1 THE COMPANY AND GENERAL INFORMATION

1.1 Legal status and operations

Alfa Adhi Securities (Private) Limited (the 'Company') was incorporated in Pakistan on November 21, 1994 as a private limited company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is a corporate member of the Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited. The principal objects of the Company include share brokerage, money market transactions, consultancy services and underwriting etc. The registered office of the Company is situated at 308, 3rd floor, Landmark Plaza - I.I. Chundrigar Road, Karachi. Other business addresses of the Company is 3rd floor, 308 - 309, New Block, Pakistan Stock Exchange, I.I Chundrigar road, Karachi and G-9 & 10, Hussain trade centre, Altaf Husain road, Karachi.

1.2 Impact of COVID-19 on the financial statements

The management has thoroughly evaluated the effects of COVID-19 on the operations of the Company and concluded that there are no material operational implications of COVID-19 that could have required any disclosure in these financial statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act) and provisions of and directives issued under the Act. Where provisions of or directives issued under the Act differ from the IFRS Standards, the provisions of or directives issued under the Act have been followed.

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

Further, disclosures of net capital balance (note no. 33) and liquid capital (note no. 34) are prepared to meet the specific requirements of Securities and Exchange Commission of Pakistan (SECP) in accordance with the guidelines given under Second and Third Schedule to the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) read with clarifications and guidelines issued by the SECP from time to time.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

- Review of useful life and residual value of property and equipment (note 3.1 and 5);
- Investment properties (note 3.2 and 6);
- Intangible assets (note 3.3 and 7);
- Classification of investments (note 3.4.2 and 3.4.4);
- Assumptions and estimates used in calculating the provision for doubtful trade debts (note 3.5 and 9);
- Revenue recognition (note 3.13 and 22); and
- Provision for taxation including deferred tax (note 3.11 and 27).

2.5 New standards, amendments to standards and IFRS interpretations that are effective for the year ended June 30, 2020

The following amendments to accounting standards are effective for the year ended June 30, 2020 except as explained otherwise, these standards and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

	Effective for period beginning on or after
Amendments to IFRS 9 'Financial Instruments': Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 1, 2019
IFRS 14 - Regulatory Deferral Accounts	July 1, 2019
Amendments to IAS 19 'Employee Benefits': Plan amendments, curtailments or settlements	January 1, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures': Long-term interests in associates and joint ventures	January 1, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 1, 2019

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

2.5.1 *First time adoption of new Standards*

IFRS 16 'Leases'

This standard was notified by the Securities and Exchange Commission of Pakistan ('SECP'), vide S.R.O. 434 (I)/2018 dated April 9, 2018, to be effective for annual periods beginning on or after January 1, 2019. This standard replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases- Incentive' and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'.

IFRS 16 primarily affects the accounting by lessees and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An exemption exists for short term period (of less than 12 months) and low value leases.

The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in the later years. Additionally, operating expense will be replaced with interest and depreciation so key metrics like EBITDA will change. Operating cashflows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of payments that reflects the interest can continue to be presented as operating cashflows.

The accounting for lessors will not significantly change.

Changes in accounting policies resulting from the adoption of IFRS 16 have been applied retrospectively in accordance with the requirements of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. There is no impact of the adoption of IFRS 16 to these financial statements as the Company has not entered into any agreements that contain lease.

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

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

	Effective from accounting period beginning on or after
Amendments to IFRS 3 'Business Combinations': Amendments to clarify the definition of a business	January 1, 2020
Amendments to IFRS 9 'Financial Instruments': Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 1, 2019
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures': Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to IFRS 16 'Leases': Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification	June 1, 2020

	Effective from accounting period beginning on or after
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': Amendments regarding the definition of material	January 1, 2020
Amendments to IAS 1 'Presentation of Financial Statements': Amendments regarding the classification of liabilities	January 1, 2022
Amendments to IAS 16 'Property, Plant and Equipment': Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use.	January 1, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets': Amendments regarding the costs to include when assessing whether a contract is onerous	January 1, 2022
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	January 1, 2020

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property and equipment

Owned

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

Depreciation is charged from the month in which they are available for use and on deletions up to the month of deletion. Normal repairs and maintenance are charged to profit or loss as and when incurred. Major renewals, if any, are capitalized.

The surplus on revaluation of property is reversed to the extent of incremental depreciation and is transferred to unappropriated profit.

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

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

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

Revalued assets

Revaluation of leasehold premises is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Any revaluation increase in the carrying amount of leasehold premises is recognized, net of tax, in other comprehensive income and presented as a separate component of equity as "surplus on revaluation of property" except to the extent that it reverses a revaluation decrease / deficit for the same asset previously recognised in the profit or loss, in which case the increase is first recognized in the profit or loss to the extent of the decrease previously charged. Any decrease that reverses previous increase of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decrease are charged to the profit or loss. The revaluation reserve is not available for distribution to the Company's shareholders. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus to unappropriated profit.

Gains and losses on disposal of revalued assets

Gains and losses on disposal of assets are taken to the profit or loss, and the related surplus on revaluation of property, if any, is transferred directly to unappropriated profit.

3.2 Investment properties

Recognition and measurement

Investment property comprises of leasehold land that is held to earn rentals or for capital appreciation or both.

Investment property is measured initially at cost including transaction costs if any. Transaction costs may include transfer taxes and other commissions to bring the property to the condition necessary for it to be capable of operating. Subsequent to initial recognition, the Company has chosen cost model to measure investment property at cost less accumulated impairment losses if any.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the derecognition of investment property are recognised in the statement of comprehensive income in the year of retirement or disposal. Gain or loss on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset.

Maintenance and normal repairs, if any, are charged to the statement of comprehensive income, as and when incurred. Major renewals and improvements, if any, are capitalized, if recognition criteria is met.

3.3 Intangible assets

Membership Card - Pakistan Mercantile Exchange Limited

This is stated at cost less impairment, if any. This is not amortized due to the fact that it has an indefinite useful life. Useful life can not be ascertained as it is unknown that how long member will hold the card. The carrying amount is reviewed at each statement of financial position date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds the estimated recoverable amount, it is written down to its estimated recoverable amount.

Trading Rights Entitlement Certificate (TREC)

This is initially measured at apportioned value of carrying value of surrendered card which is apportioned between TREC and Shares of PSX. Subsequent to its initial recognition, it is measured at cost less impairment, if any. This is not amortized due to the fact that it has an indefinite useful life. Useful life can not be ascertained as it is unknown that how long member will hold the card. The carrying amount is reviewed at reporting date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds the estimated recoverable amount, it is written down to its estimated recoverable amount.

Softwares

Software are stated at cost less accumulated amortization and any identified impairment loss. Amortization on softwares is charged to income by applying straight line method at the rates specified in the relevant note. Amortization is charged from the month of acquisition of softwares, up to the month of deletion. The carrying value of softwares are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceeds the estimated recoverable amount, the softwares are written down to their recoverable amount.

3.4 Financial assets and liabilities

3.4.1 Initial Recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value or amortized cost as the case may be.

3.4.2 Classification of financial assets

The Company classifies its financial instruments in the following categories:

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

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

Financial assets at amortized cost

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

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through OCI

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

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets at fair value through P&L

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

3.4.3 Financial liabilities

The Company classifies its financial liabilities in the following categories:

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

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

3.4.4 Subsequent measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in OCI.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, and subsequently carried at amortized cost, and in the case of financial assets, less any impairment.

Financial assets and liabilities at FVTPL

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

3.4.5 Impairment of financial assets at amortized cost

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

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

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

3.4.6 Derecognition

Financial assets

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

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

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

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

Financial liabilities

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

3.4.7 Offsetting of financial assets and financial liabilities

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

3.5 Trade debts

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

3.6 Commission and other receivables

These are stated at fair value and subsequently measured at amortized cost net of provision for doubtful receivables (if any). Full provision is made against the receivables considered doubtful on the basis of life time expected credit losses (ECLs). Commission and other receivables are written off when they are not recoverable.

3.7 *Fiduciary assets*

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

3.8 *Loans, advances and deposits*

These are carried initially at fair value to be received or settled and subsequently measured at amortized cost. Provision is made against balances considered doubtful on the basis of life time expected credit losses (ECLs). Balances considered irrecoverable are written off.

3.9 *Cash and cash equivalents*

It comprises of cash in hand and cash at bank which are carried at amortized cost. For the purpose of cash flow statements, cash and cash equivalent include cash in hand, current and deposit account held with the banks.

3.10 *Trade and other payables*

Liabilities for creditors and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Company. Trade payables in respect of securities are recorded at settlement date of transactions.

3.11 *Taxation*

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

Current

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

Deferred

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

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

3.12 *Provisions*

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

3.13 *Revenue recognition*

Revenue from brokerage services

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

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

Other revenue

- Profit on deposits and margin financing is recognized on a time proportionate basis, with reference to the principal outstanding and at the applicable effective interest rate.

- Gain on sale of fixed assets is recorded when title is transferred in favour of the transferee.

- Dividend income is recorded when the right to receive the dividend is established.

- Unrealized gains / (losses) arising on revaluation of securities classified as 'financial assets at fair value through profit or loss are included in profit or loss in the period in which they arise.

- Gains / (losses) arising on disposal of investments are included in income currently and are recognized on the date when the transaction takes place.

- Miscellaneous income is recognized on occurrence of transactions.

3.14 Staff retirement benefits

Employees' gratuity

The Company operates an unfunded gratuity scheme for all its eligible employees who have completed their minimum qualifying period of service with the Company. Gratuity payable is accounted for on accrual basis. Provisions are made annually to meet the obligation on the basis of the product of employees' last drawn salary and the number of years served to date.

3.15 Borrowing cost

Borrowing cost are recognized as expense in the period in which these are incurred.

4 DETAILS OF RELATED PARTIES

Followings are the names of those related parties with whom the company has made transactions during the current financial year.

Name of related parties	*% of holding*	*Basis of relationship*
Mr. Muhammad Aman	10	Chief Executive
Mr. Abdul Razak Jangda	11.5	Director
Mr. Ayaz	12.5	Director
Mr. Mohsin Adhi	7.5	Director
Mr. Muhammad Iqbal Adhi	8.75	Director
Ms. Amber	4	Member
Ms. Adila	4	Member
Ms. Anila	4	Member
Ms. Aisha	10	Member
Ms. Armila	10	Member
Mr. Rizwan Jangda	1	Member
Mrs. Zohra	1.75	Member
Mr. Abdul Qadir	-	Close family member
Mrs. Mehwish Adhi	-	Close family member
Mrs. Mumtaz Bano	-	Close family member
Ms. Sharmeen Ayaz	-	Close family member

5 PROPERTY AND EQUIPMENT

Particulars	Owned Assets					Total
	Office premises lease hold*	Computers	Office equipments	Furniture and fixtures	Vehicles	
	Rupees					
Year ended June 30, 2020						
Opening net book value	**18,660,493**	**1,277,334**	**1,720,611**	**1,350,850**	**61,446**	**23,070,734**
Additions during the year	**-**	**368,249**	**166,340**	**-**	**53,000**	**587,589**
Depreciation charge for the year	**(933,025)**	**(425,681)**	**(183,150)**	**(135,085)**	**(18,472)**	**(1,695,413)**
Closing net book value as on June 30, 2020	**17,727,468**	**1,219,902**	**1,703,801**	**1,215,765**	**95,974**	**21,962,910**
As at June 30, 2020						
Revalued amount* / cost	**20,850,368**	**8,570,225**	**3,213,138**	**3,029,662**	**1,696,205**	**37,359,598**
Accumulated depreciation	**(3,122,900)**	**(7,350,323)**	**(1,509,337)**	**(1,813,897)**	**(1,600,231)**	**(15,396,688)**
Closing net book value as on June 30, 2020	**17,727,468**	**1,219,902**	**1,703,801**	**1,215,765**	**95,974**	**21,962,910**
Year ended June 30, 2019						
Opening net book value	19,642,624	1,584,910	1,892,263	1,500,944	76,807	24,697,548
Additions during the year	-	197,600	18,180	-	-	215,780
Depreciation charge for the year	(982,131)	(505,176)	(189,832)	(150,094)	(15,361)	(1,842,594)
Closing net book value as on June 30, 2019	18,660,493	1,277,334	1,720,611	1,350,850	61,446	23,070,734
As at June 30, 2019						
Revalued amount* / cost	20,850,368	8,201,976	3,046,798	3,029,662	1,643,205	36,772,009
Accumulated depreciation	(2,189,875)	(6,924,642)	(1,326,187)	(1,678,812)	(1,581,759)	(13,701,275)
Closing net book value as on June 30, 2019	18,660,493	1,277,334	1,720,611	1,350,850	61,446	23,070,734
Rate of depreciation (%)	**5%**	**30%**	**10%**	**10%**	**20%**	

5.1 Had there been no revaluation, the written down value of office premises would have been amounted to 7.705 (2019: Rs. 8.111) million.

5.2 On April 30, 2017, the Company carried out revaluation of its office premises under market value basis by an independent valuer, M/s. Zafar Iqbal & Company, who has determined forced sale value of lease hold office premises amounted to Rs. 14.758 million.

6 INVESTMENT PROPERTIES	*Note*	***2020 Rupees***	*2019 Rupees*
Investment properties	6.1	**6,500,000**	-

6.1 During the current financial year, the Company has purchased leasehold land having area of 120 square yards each situated at plot no. P22 and N889 in the project named as "Naya Nazimabad, Karachi". Till the issuance of these financial statements the legal titles of the aforesaid properties were not transferred in the name of the Company.

7 INTANGIBLE ASSETS	*Note*	***2020 Rupees***	*2019 Rupees*
Trading right entitlement certificate (TREC)	7.1	**2,500,000**	2,500,000
Membership card of PMEX		**250,000**	250,000
Microsoft ggwa olp	7.2	**30,824**	46,235
Online trading software	7.3	**278,107**	404,663
		3,058,931	3,200,898

7.1 Trading right entitlement certificate (TREC)

Gross carrying amount	**3,415,954**	3,415,954
Provision for impairment	**(915,954)**	(915,954)
Net carrying amount	**2,500,000**	2,500,000

The management of the Company has valued TREC at Rs. 2.5 million as on reporting date, based on the invitation for bid for the purchase of TREC issued by the PSX via notice PSX / N-882 dated August 3, 2020 indicating the minimum bid price for TREC to be Rs. 2.5 million.

Previously, TREC was valued on the basis of offer for issuance of TREC issued by the PSX via notice PSX / N-1245 dated February 26, 2018 indicating fee for new TREC Certificate amounting to Rs. 2.5 million.

7.2 Microsoft GGWA OLP	***2020 Rupees***	*2019 Rupees*
Opening net book value	**46,235**	61,646
Amortization charge	**(15,411)**	(15,411)
Closing net book value	**30,824**	46,235
As at June 30,		
Cost	**154,112**	154,112
Accumulated amortization	**(123,288)**	(107,877)
	30,824	46,235
Rate of amortization	**10%**	10%

7.3 *Online trading software*	*Note*	***2020*** ***Rupees***	*2019* *Rupees*
Opening net book value		**404,663**	531,219
Amortization charge		**(126,556)**	(126,556)
Closing net book value		**278,107**	404,663
As at June 30,			
Cost		**1,265,555**	1,265,555
Accumulated amortization		**(987,448)**	(860,892)
		278,107	404,663
Rate of amortization		**10%**	10%

8 *LONG TERM DEPOSITS*

Deposits			
NCEL Building Management Limited		**2,500,000**	2,500,000
Pakistan Mercantile Exchange Limited		**1,250,000**	1,250,000
Central Depository Company of Pakistan Limited		**100,000**	100,000
National Clearing Company of Pakistan Limited		**1,400,000**	1,400,000
Others		**14,000**	14,000
		5,264,000	5,264,000

9 *TRADE DEBTS*

Considered good			
- From related party	9.1 & 9.2	**26,126,486**	14,033,328
- From others	9.3	**21,022,981**	36,730,629
		47,149,467	50,763,957
Considered doubtful - from others		**714,872**	714,872
		47,864,339	51,478,829
Provision for considered doubtful		**(714,872)**	(714,872)
		47,149,467	50,763,957

9.1 *Maximum aggregate amount of receivable during the year with respect to month end balance:*

Mr. Muhammad Aman (Chief Executive)		**10,517,543**	6,011,892
Mr. Ayaz (Director)		**2,670,599**	5,641,167
Mr. Abdul Razak Jandga (Director)		**7,979,671**	529
Mr. Mohsin Adhi (Director)		**480**	240
Mr. Muhammad Iqbal Adhi (Director)		**370,218**	-
Ms. Armila (Member)		**11,208,932**	8,536,565
Ms. Zohra (Member)		**170,316**	-
Ms. Aisha (Member)		**329,569**	-
Mr. Samad Razzak (Member)		**153,124**	-
Ms. Mumtaz Bano (Close family member)		**6,296,045**	5,422,751
Mr. Abdul Qadir (Close family member)		**188,133**	-
Ms. Sharmeen Ayaz (Close family member)		**655,709**	282,107

9.2 Age analysis of trade receivables from related parties as at June 30, 2020

Name of related party	Amount past due					Total gross amount due
	Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-365 days	Past due 365 days	
	Rupees					
Mr. Muhammad Aman (Chief Executive)	**8,371,093**	-	-	-	-	**8,371,093**
Mr. Abdul Razak Jandga (Director)	-	-	-	**7,979,671**	-	**7,979,671**
Ms. Armila (Member)	**1,893,746**	**1,369,025**	**4,029,059**	-	-	**7,291,830**
Mr. Samad Razzak (Member)	**1,333**	-	-	-	-	**1,333**
Ms. Zohra (Member)	**170,316**	-	-	-	-	**170,316**
Ms. Aisha (Member)	**190,217**	-	-	-	-	**190,217**
Ms. Mumtaz Bano (Close Family Member)	**987,044**	-	-	**821,082**	-	**1,808,126**
Mr. Abdul Qadir (Close Family Member)	**10,405**	-	-	-	-	**10,405**
Ms. Sharmeen Ayaz (Close Family Member)	**108,464**	**131,499**	**63,532**	-	-	**303,495**
	11,732,617	**1,500,524**	**4,092,591**	**8,800,753**	-	**26,126,486**

Age analysis of trade receivables from related parties as at June 30, 2019

Name of related party	Amount past due					Total gross amount due
	Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-365 days	Past due 365 days	
	Rupees					
Mr. Ayaz (Director)	1,668,641	-	-	-	-	1,668,641
Mr. Muhammad Aman (Chief Executive)	3,528,256	-	-	-	-	3,528,256
Mr. Abdul Razak Jandga (Director)	-	-	-	240	289	529
Mr. Mohsin Adhi (Director)	-	-	-	240	-	240
Ms. Armila (Member)	3,076,279	2,226,508	2,870,688	363,090	-	8,536,565
Ms. Mumtaz Bano (Close Family Member)	16,990	-	-	-	-	16,990
Ms. Sharmeen Ayaz (Close Family Member)	100,000	90,000	-	30,000	62,107	282,107
	8,390,166	2,316,508	2,870,688	393,570	62,396	14,033,328

9.3 Includes Rs. 0.396 (2019: Rs. 0.396) million receivable against margin financing facility offered to various clients at different Financing Participation Ratio ranging from 75% to 90% at the mark-up rates ranging from 9% to 12%.

	2020 Rupees	2019 Rupees
10 COMMISSION RECEIVABLE		
Considered good		
- From corporate clients	**3,203,273**	-

11 LOANS AND ADVANCES

	Note	2020 Rupees	2019 Rupees
Considered good			
- Loans			
- to Directors	11.1	**26,264,874**	22,952,733
- Advances			
- to staff	11.2	**396,500**	548,520
- against purchase of office	11.3	**680,000**	-
		27,341,374	23,501,253

11.1 The loan is provided to Mr. Muhammad Aman (Chief Executive Officer) and Mr. Ayaz Muhammad (Director) of the Company amounting to Rs. 20.244 (2019: Rs. 17.658) million and Rs. 6.021 (2019: Rs. 5.295) million respectively. The loan is unsecured, interest free and recoverable on demand. Legal formalities in pursuant of the conditions enumerated under the Companies Act, 2017 are not fulfilled relating to the payment of this loan.

Maximum aggregate amount outstanding at any time during the year with respect to month end balances of Mr. Muhammad Aman (Chief Executive Officer) and Mr. Ayaz Muhammad (Director) of the Company amounting to Rs. 20.244 (2019: Rs. 17.658) million and Rs. 6.021 (2019: Rs. 5.295) million respectively.

11.2 Movement of loan to staff during the year:

	2020 Rupees	2019 Rupees
Balance at July 01,	**548,520**	708,700
Loan given to employees during the year	**330,000**	620,000
Loan repaid by employees during the year	**(427,670)**	(780,180)
Loan write off during the year	**(54,350)**	-
Balance at July 30,	**396,500**	548,520

11.3 Represent instalments paid for purchase of office at Bahria Icon Tower, Karachi.

12 DEPOSITS AND OTHER RECEIVABLES

	Note	2020 Rupees	2019 Rupees
Deposits			
Pakistan Stock Exchange Limited			
- against Base Minimum Capital	12.1	**3,300,000**	4,000,000
National Clearing of Company Pakistan			
- against Regular Trading Exposure		**10,000,000**	-
- against Future Trading Exposure		**3,500,000**	-
		13,500,000	-
Other receivables - considered good			
- from NCCPL against future profit retained		**-**	296,830
- mark-up receivable against margin financing	12.2	**2,045,232**	3,085,280
- CDC charges		**-**	52,799
- receivable from agents			
gross amount		**413,821**	96,864
write off during the year		**(44,423)**	-
		369,398	96,864
		2,414,630	3,531,773
		19,214,630	7,531,773

12.1 Represents deposit maintained by the Company, as a broker, with the PSX for its eligibility to trade through the Exchange Trading Systems to be calculated / prescribed as per Schedule I to Chapter 19 of the PSX Rule Book.

	Note	2020 Rupees	2019 Rupees
12.2 Mark-up receivable against margin financing			
Opening balance		**3,085,280**	3,085,280
Provision made during the year		**(1,040,048)**	-
Closing balance		**2,045,232**	3,085,280

13 SHORT TERM INVESTMENTS

	Note	2020 Rupees	2019 Rupees
- At fair value through profit or loss			
In securities of listed companies			
Carrying value		**15,888,659**	24,834,924
Loss on remeasurement of investments carried at fair value through profit or loss account		**(3,772,409)**	(7,964,832)
	13.1	**12,116,250**	16,870,092

13.1 At fair value through profit or loss

No. of shares 2020	No. of shares 2019		Market Value 2020 Rupees	Market Value 2019 Rupees
10,000	10,000	Dewan Salman Fibre Limited (note 13.2)	-	-
-	40,000	Engro Polymer & Chemicals Limited	-	1,078,400
54,500	54,000	Javedan Corporation Limited	**1,226,250**	1,728,540
1,100,000	1,081,194	Pakistan Stock Exchange Limited	**10,890,000**	14,055,522
-	500	Treet Corporation Limited	-	7,630
1,164,500	1,185,694		**12,116,250**	16,870,092

13.2 The trading of shares of Dewan Salman Fibre Limited has been suspended by the Pakistan Stock Exchange Limited.

	Note	2020 Rupees	2019 Rupees
14 INCOME TAX REFUNDS DUE FROM GOVERNMENT			
Income tax refundable	14.1	**12,001,415**	12,287,288
14.1 Balance as on July 01,		**12,287,288**	10,214,892
Prior year adjustment		**2,101**	-
Taxes paid during the year		**1,024,181**	2,323,268
Tax liability for the year	27	**(1,312,155)**	(250,872)
Balance as on June 30,		**12,001,415**	12,287,288

	Note	2020 Rupees	2019 Rupees

15 CASH AND BANK BALANCES

	Note	2020 Rupees	2019 Rupees
Cash in hand		-	200,559
Cash at banks			
- Own			
Current accounts		**3,785,340**	1,416,967
Pls account	15.1	**602,925**	1,615,948
		4,388,265	3,032,915
- Client			
Current accounts		**59,067,478**	17,937,279
		63,455,743	21,170,753

15.1 This amount carries mark-up ranging from 6% to 13.50% (2019: 6% to 10.75%) per annum.

16 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2020	2019		2020	2019
Number of Shares			Rupees	Rupees
		Ordinary shares of Rs.10 each		
4,299,000	4,299,000	fully paid in cash	**42,990,000**	42,990,000
750,000	750,000	issued as bonus shares	**7,500,000**	7,500,000
5,049,000	5,049,000		**50,490,000**	50,490,000

16.1 The shareholders are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the Company. All shares carry "one vote" per share without restriction.

16.2 PATTERN OF SHAREHOLDING:

S. No.	Names	No. of shares	Percentage
1	Abdul Razzaq Jangda	**580,635**	**11.50%**
2	Ayaz	**631,125**	**12.50%**
3	Mohsin	**378,675**	**7.50%**
4	Ms. Aisha	**504,900**	**10.00%**
5	Ms. Armila	**504,900**	**10.00%**
6	Muhammad Aman	**504,900**	**10.00%**
7	Muhammad Iqbal Adhi	**441,788**	**8.75%**
8	Muhammad Rafiq	**504,900**	**10.00%**
9	Others having less than 5% shareholding	**997,177**	**19.75%**
		5,049,000	**100%**

16.3 No change in shareholding is made during the year.

17 SURPLUS ON REVALUATION OF PROPERTY

	2020 Rupees	2019 Rupees
Balance as on July 01,	**10,549,572**	11,104,813
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	**(374,510)**	(394,221)
Tax effect on incremental depreciation transferred to unappropriated profit	**(152,969)**	(161,020)
	10,022,093	10,549,572
Less: Related deferred tax liability		
Opening balance	**(3,094,874)**	(3,255,894)
Effect on incremental depreciation transferred to unappropriated profit	**152,969**	161,020
Closing balance	**(2,941,905)**	(3,094,874)
Balance as on June 30 - net of deferred tax	**7,080,188**	7,454,698

17.1 On April 30, 2017, the Company carried out revaluation of its office premises under market value basis by an independent valuer, M/s. Zafar Iqbal & Company, resulting in a surplus of Rs. 15,901,548, over book values which were credited to surplus on revaluation of property.

18 DEFERRED LIABILITIES

	Note	2020 Rupees	2019 Rupees
Employees' gratuity	18.1	**2,997,491**	3,376,591
Deferred tax liability	18.2	**-**	-
		2,997,491	3,376,591

18.1 Employees' Gratuity

	2020 Rupees	2019 Rupees
Opening balance	**3,376,591**	3,452,841
Provision for the year	**505,900**	569,750
Payment made during the year	**(885,000)**	(646,000)
	2,997,491	3,376,591

18.2 Deferred tax liability comprises of the following: -

	Note	2020 Rupees	2019 Rupees
Taxable temporary differences			
Accelerated tax depreciation		**4,516,147**	4,711,722
Deductible temporary differences			
Provision for employees gratuity		**(859,661)**	(974,910)
Provision for doubtful debts		**(503,300)**	(206,402)
Investments at fair value through profit or loss		**(113,443)**	(99,917)
Tax losses	18.2.1	**(3,976,431)**	(3,647,438)
		(5,452,835)	(4,928,667)
Deferred tax asset		**(936,688)**	(216,945)
Deferred tax asset not recognized	18.2.2	**936,688**	216,945
		-	-

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

Normal business losses	*Tax Losses in Rupees*	*Expiry Date*	*2020 Rupees*	*2019 Rupees*
Tax year 2019	11,044,925	June 30, 2025	**(3,203,028)**	(3,224,922)
Unabsorbed tax depreciation	1,264,339	Indefinite	**(366,658)**	(366,674)
Minimum tax (Year 2020)	363,252	June 30, 2025	**(363,252)**	-
Capital loss	289,952	June 30, 2022	**(43,493)**	(55,842)
			(3,976,431)	(3,647,438)

18.2.2 Deferred tax asset as at reporting date to the extent of Rs. 0.937 (2019: Rs. 0.217) million has not been recognized because of the inherent uncertainties in forecasts of sufficient taxable profits in foreseeable future against which such benefits can be utilized.

19 TRADE AND OTHER PAYABLES

	Note	*2020 Rupees*	*2019 Rupees*
Trade payable	19.1	**59,067,478**	17,937,279
Accrued liabilities		**554,956**	619,450
Retained profit payable		**283,333**	-
Withholding tax payable		-	45,756
Sindh sales tax on services payable		-	117,718
Advance against sale of office	19.2	**1,000,000**	-
		60,905,767	18,720,203

19.1 Includes Rs. 0.871 (2019: Rs. 0.236) million payable to related parties.

19.2 Represents amount received from customer against sale of lease hold office premises situated at landmark plaza. However, title of the said premises is still in the name of the Company till the issuance of these financial statements.

20 SHORT TERM BORROWING

	Note	*2020 Rupees*	*2019 Rupees*
From banking companies			
- Secured and interest bearing			
Running finance	20.1	**24,941,642**	4,022,738

20.1 The Company has available running finance facility of Rs. 100 (2019: Rs. 100) million at markup of 1 month KIBOR plus 2% from a banking company to meet working capital requirements. At reporting date, the unavailed facility amounted to Rs. 75.058 (2019: Rs. 95.977) million.

20.2 These facilities are secured against: -

- Equitable mortgage over following (6) properties of the Company with SECP registered charge.

a) **G-9 and G-10**, Ground Floor, Hussain Trade Center, Plot No. 7, Sheet No. Sr-6, Serai Quarters ,Shahrah-E-Altaf, Karachi.

b) **Office # 303 and 610**, 3rd Floor and 6th Floor, Land Mark Plaza, Plot Survey No. 1/8, Sheet No. Sr-13, Serai Quarters, Karachi.

c) **Shop No 314 and 315**, located at 3rd floor inn the building known as Star City constructed at Plot No 73, N.I Lines Karachi cantonment, Karachi.

- Pledge of shares against the banking facilities in CDC account amounting to Rs. 32,476,720 which belong to customers. These are considered with a minimum margin of 35% on shares as per bank's approved list.

- 1st Exclusive charge over shares amounting to PKR. 166.667 M duly registered with SECP.

- Personal guarantees of all the Directors of the Company.

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

21.1.1 The Company has not recorded provision for Workers' Welfare Fund for the year ended June 30, 2014 amounting to Rs. 218,490 respectively on the ground that issue of chargeability of WWF on such companies is under litigation before the Honourable High Court of Sindh, whereby stay has been granted to various companies. However, the Company itself has not challenged the levy in the Court and may be required to pay the amount in case tax authorities issue any order in this respect.

21.2 Commitments

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

	2020	*2019*
	Rupees	*Rupees*
For purchase of shares - ready market	**39,764,820**	17,886,715
For sale of shares - ready market	**38,754,101**	37,083,761
For purchase of shares - future counter	**139,138,665**	96,473,570
For sale of shares - future counter	**135,697,505**	94,172,115

21.2.1 The Company has given irrevocable financial bank guarantee in favour of National Clearing Company of Pakistan amounting to Rs. 15 (2019: Rs. 15) million. The available and unavailed balance as on June 30, 2020 amounting to Rs. 29 (2019: Rs. 29) million of which Rs. 14 (2019: Rs. 14) million respectively.

22 OPERATING REVENUE

	Note	***2020*** ***Rupees***	*2019* *Rupees*
Commission income - gross		**45,979,910**	26,977,463
Less: Sindh sales tax on services		**(5,289,774)**	(3,103,601)
		40,690,136	23,873,862
Less: Commission paid to agents		**(8,595,804)**	(4,850,926)
	22.1	**32,094,332**	19,022,936

22.1 Represents brokerage income earned from:

- Institutional clients	**7,877,525**	-
- Individual customers	**32,812,611**	23,873,862
	40,690,136	23,873,862

	Note	2020 Rupees	2019 Rupees
23 OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	23.1	**8,304,399**	10,238,501
Directors' remuneration	28	**5,976,360**	5,560,000
Postage and telephone		**997,755**	980,075
Fees and subscription		**208,399**	987,975
Depreciation	5	**1,695,413**	1,842,594
Amortization	7.2 & 7.3	**141,967**	141,967
Electricity charges		**688,552**	699,240
Computer expenses		**1,633,183**	732,812
Traveling expenses		**69,259**	59,998
Legal and professional charges		**702,860**	-
Repairs and maintenance expenses		**209,381**	193,904
CDC charges		**1,343,992**	1,343,009
Printing and stationery expenses		**155,484**	66,185
Entertainment expenses		**288,136**	197,236
Insurance expense		**42,716**	37,417
NCCPL charges		**2,784,791**	450,298
Water and sewerage		**22,800**	19,420
		25,265,447	23,550,631

23.1 Includes provision for gratuity amounting to Rs. 0.506 (2019: Rs. 0.570) million.

	Note	2020 Rupees	2019 Rupees
24 FINANCE COST			
Bank charges		**273,606**	415,307
Mark-up on running finance		**2,355,116**	2,915,940
		2,628,722	3,331,247

25 OTHER EXPENSES

	Note	2020 Rupees	2019 Rupees
Auditors' remuneration	25.1	**319,000**	547,860
Research and development charges		**4,261,429**	3,768,626
Remeasurement loss on investments carried at fair value through profit or loss	13	**3,772,409**	7,964,832
Provision for doubtful receivable	12.2	**1,040,048**	-
Capital loss on disposal of investments - net		-	2,923,212
Miscellaneous expenses		**293,533**	170,342
		9,686,419	15,374,872

25.1 Auditors' remuneration

		2020 Rupees	2019 Rupees
Statutory audit		**190,000**	170,000
Out of pocket		**10,000**	10,000
Other services		**119,000**	367,860
		319,000	547,860

26 OTHER INCOME

	2020 Rupees	2019 Rupees
- from financial assets		
Mark up on PLS deposit accounts	**152,302**	112,868
Mark up on NCCPL deposits	**1,481,552**	749,090
Mark up against margin financing	**-**	1,178,599
Dividend from Pakistan Stock Exchange Limited	**24,000**	73,974
Capital gain on disposal of investments - net	**353,104**	-
	2,010,958	2,114,531
- from other than financial assets		
Commission on book building - IPO	**-**	18,958
		18,958
	2,010,958	2,133,489

27 TAXATION - NET

	2020 Rupees	2019 Rupees
Current	**1,312,155**	250,872
Prior year	**(2,101)**	-
Deferred	**-**	(3,647,025)
	1,310,054	(3,396,153)

27.1 Returns for the tax year up to 2019 have been filed, which are deemed to be assessment order under provisions of the Income Tax Ordinance, 2001, however the CIT has power to re-assess any of the five preceding tax years.

27.2 Reconciliation between tax expense and accounting profit for the year ended June 30, 2020 and June 30, 2019 has not been made as relationship between these could not be developed due to minimum tax being arising under section 113 of the Income Tax Ordinance, 2001.

28 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	2020 Rupees	2019 Rupees
To Chief Executive Officer (One)		
Managerial remuneration	**475,200**	720,000
House rent	**158,400**	240,000
Conveyance allowance	**79,200**	120,000
Utilities	**79,200**	120,000
Commission	**348,000**	-
	1,140,000	1,200,000
To Directors (Four)		
Managerial remuneration	**1,850,400**	2,616,000
House rent	**616,800**	872,000
Conveyance allowance	**308,400**	436,000
Utilities	**308,400**	436,000
Commission	**1,752,360**	-
	4,836,360	4,360,000
Total	**5,976,360**	5,560,000

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

29.1 Financial Instrument by Category

	Note	2020 Rupees	2019 Rupees
- At amortized cost			
Long term deposits	8	**5,264,000**	5,264,000
Trade debts	9	**47,149,467**	50,763,957
Commission receivable	10	**3,203,273**	-
Loans and advances	11	**26,661,374**	23,501,253
Deposits and other receivables	12	**19,214,630**	7,531,773
Cash and bank balances	15	**63,455,743**	21,170,753
		164,948,487	108,231,736
- Fair value through profit or loss			
Short term investments	13	**12,116,250**	16,870,092
		177,064,737	125,101,828
Financial Liabilities			
- At amortized cost			
Trade and other payables	19	**59,905,767**	18,556,729
Short term borrowing	20	**24,941,642**	4,022,738
Mark-up accrued		**393,250**	726,021
		85,240,659	23,305,488

29.2 Financial risk management

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

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

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

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

29.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfil their obligations. There is a possibility of default by participants and of failure of the financial markets, the depositories, the settlements or clearing system etc.

Exposure to credit risk

Credit risk of the Company arises principally out of receivables from customers, deposits, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their worth and proper margin are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery. The management also carries out necessary steps for security of Company's treasury.

The carrying amounts of financial assets represent the maximum credit exposure, as specified below:-

	Note	2020 Rupees	2019 Rupees
Long term deposits	8	**5,264,000**	5,264,000
Trade debts	9	**47,149,467**	50,763,957
Commission receivable	10	**3,203,273**	-
Loans and advances	11	**26,661,374**	23,501,253
Deposits and other receivables	12	**19,214,630**	7,531,773
Bank balances	15	**63,455,743**	20,970,194
		164,948,487	108,031,177

29.3.1 Ageing of trade debts and impairment losses

	2020	2019
The aging of trade debts at reporting date was:-		
Past due 1-5 days	**12,140,316**	15,467,690
Past due more than 5 days - considered good		
Past due more than 5 days - gross	**35,724,023**	36,011,139
Past due more than 5 days - considered doubtful	**(714,872)**	(714,872)
	35,009,151	35,296,267
	47,149,467	50,763,957
Securities available for overdue receivables of more than 5 days after applying VAR based haircut	**347,988,630**	375,548,849

Based on the consideration of the financial position and subsequent recovery / adjustment through trades, the Company believes that provisions made for doubtful balances of trade debts that are past due for more than 5 days (note 9) and markup receivable against margin financing (note 12.2) are adequate and for rest of the receivables, the Company considers the amounts to be fully recoverable and therefore, no further provision is made in these financial statements.

29.3.2 Credit Rating of Company's Banks

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

Name of Banks	***Rating Agency***	***Credit Rating***	
		Short term	***Long term***
Bank Alfalah Limited	VIS	A1+	AA+
Bank Al-Habib Limited	PACRA	A1+	AA+
Dubai Islamic Bank Limited	VIS	A1+	AA
Habib Bank Limited	VIS	A1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1 +	AA-
MCB Bank Limited	PACRA	A1+	AAA
United Bank Limited	VIS	A1+	AAA

29.3.3 Other financial assets mainly comprise of balances recoverable from the regulators and do not require any provision except for loan to staff amounting to Rs. 54,350 and other receivables from agents amounting to Rs. 44,423 were considered irrecoverable and are therefore written off during the year as disclosed in notes 11.2 and 12.2 to these financial statements.

29.4 *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. Company finances its operations through equity, working capital and running finance facility from banks with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The following are the contractual maturities of financial liabilities, including estimated interest payments:-

	2020			
	Carrying Amount	***Contractual cash out flows***	***Up to one year***	***More than one year***
	---------------- ***Rupees*** ----------------			
Financial liabilities				
Trade and other payables	**59,905,767**	**59,905,767**	**59,905,767**	-
Short term borrowing	**24,941,642**	**24,941,642**	**24,941,642**	-
Mark up accrued	**393,250**	**393,250**	**393,250**	-
	85,240,659	**85,240,659**	**85,240,659**	-

	2019			
	Carrying Amount	*Contractual cash out flows*	*Up to one year*	*More than one year*
	---------------- *Rupees* ----------------			
Financial liabilities				
Trade and other payables	18,556,729	18,556,729	18,556,729	-
Short term borrowing	4,022,738	4,022,738	4,022,738	-
Mark up accrued	726,021	726,021	726,021	-
	23,305,488	23,305,488	23,305,488	-

29.5 *Market risk*

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk comprises of three types of risk: foreign exchange or currency risk, interest / mark up rate risk and price risk. The market risks associated with the Company's business activities are discussed as under:

29.5.1 *Currency Risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

Currently, the Company is not exposed to any currency risk because the company is not dealing in any foreign currency transactions.

29.5.2 Interest / mark up rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates.

At reporting date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:-

	2020	*2019*	***2020***	*2019*
	Effective interest rate (%)		***Carrying amounts***	
			Rupees	*Rupees*
Financial assets				
Bank Balances	**6 to 13.50**	6 to 10.75	**602,925**	1,615,948
Financial Liabilities				
Short term bank borrowings	**1 month KIBOR+2%**	1 month KIBOR + 2%	**24,941,642**	4,022,738

Cash flow sensitivity

A change of 100 basis points in interest rates at reporting date would have increased / (decreased) profit and equity for the year by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on same basis for 2019.

	Profit or loss 100 bp	
	Increase	***Decrease***
As at June 30, 2020		
Cash flow sensitivity	**(243,387)**	**243,387**
As at June 30, 2019		
Cash flow sensitivity	(24,068)	24,068

29.5.3 Price risk

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

Sensitivity analysis

At reporting date, if the market prices of each security held by the Company as short term investments had increased / decreased by Rupee 1 with all other variables remain constant, total comprehensive income and equity would have been higher / (lower) by the amount shown below. The analysis is performed on same basis for 2019.

	Profit or loss	
	Increase	***Decrease***
As at June 30, 2020		
At fair value through profit or loss	**1,164,500**	**(1,164,500)**
As at June 30, 2019		
At fair value through profit or loss	1,185,694	(1,185,694)

29.6 Operational risk

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

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

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

i Requirements for appropriate segregation of duties between various functions, roles and responsibility;

ii Requirements for the reconciliation and monitoring of transactions;

iii Compliance with regulatory and other legal requirements;

iv Documentation of control and procedures;

v Requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified;

vi Ethical and business standards;

vii Risk mitigation, including insurance where this is effective.

29.7 Risk management policies

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

29.8 Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business activities and to sustain future development of the business and maximize shareholders value. The Company closely monitors the return on capital along with the level of distributions to ordinary shareholders. No changes were made in the objectives, policies or processes during the year ended June 30, 2020.

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

	2020	*2019*
	Rupees	*Rupees*
Total borrowing	**24,941,642**	4,022,738
Accrued mark-up	**393,250**	726,021
Less: Cash and bank balances	**(63,455,743)**	(21,170,753)
Net debt	**(38,120,851)**	(16,421,994)
Shareholders' equity	**132,029,843**	136,815,195
Net debt and equity	**93,908,992**	120,393,201
Gearing ratio	**0.0%**	0.0%

The Company has sufficient funds exceeding its total borrowings, therefore the gearing is shown as nil.

29.9 Fair Value of Financial Instruments

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

Fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable).

Details of the Company's property and investments in terms of fair value hierarchy, explained above, at June 30, 2020 is as follows:

	Level 1	*Level 2*	*Level 3*
	Rupees		
Assets measured at fair value			
Trading entitlement certificate	-	**2,500,000**	-
Operating fixed assets - Office premises	-	**17,727,468**	-
Short term investments - FVTPL	**12,116,250**	-	-
	12,116,250	**20,227,468**	-

30 RELATED PARTY TRANSACTIONS

Related parties comprise of directors and key management personnel. Year end balances of related parties are disclosed in the relevant notes to these financial statements. Details of remuneration and perquisites paid to Chief Executive and Directors during the year are disclosed in note 28. Transactions with related parties are as follows:

	2020	2019
Names of related party / Nature of transactions	**Rupees**	Rupees
Chief Executive and Directors		
Sales of shares on behalf of Chief Executive	**70,833,771**	6,202,142
Sales of shares on behalf of Directors	**12,390,449**	15,768,619
Purchases of shares on behalf of Chief Executive	**87,982,765**	31,051,054
Purchases of shares on behalf of Directors	**11,845,047**	12,890,983
Purchases of investment properties from Chief Executive	**6,500,000**	-
Commission earned from brokerage transactions with Chief Executive	**1,567,236**	85,547
Commission earned from brokerage transactions with Directors	**495,979**	201,218
Loan repaid by Director	**12,719,391**	6,129,666
Loan paid to Directors	**16,031,532**	22,029,343
Members and Close Family Members		
Salary paid to members and close family members	**1,632,000**	1,632,000
Commission earned from brokerage transactions with members and close family members	**2,291,312**	358,896
Sales of shares on behalf of members and close family members	**22,306,448**	47,937,522
Purchases of shares on behalf of members and close family members	**25,496,741**	44,749,172

31 CORRESPONDING FIGURES

Corresponding figures have been reclassified, whenever necessary for the purpose of compliance, comparison and better presentation. Major reclassifications during the year, required to incorporate the new accounting software based head of accounts, are as follows;

Reclassification from the caption component	*Reclassification to the caption component*	*Note*	*Rupees*
Trade debts (from others)	Trade debts (from related party)	9	**282,107**

32 CAPITAL ADEQUACY LEVEL

	Note	2020 Rupees	2019 Rupees
Total Assets	32.1	**221,267,993**	163,660,748
Less: Total Liabilities		**(89,238,150)**	(26,845,553)
Less: Surplus on revaluation of property		**(7,080,188)**	(7,454,698)
Capital Adequacy Level	32.1.1	**124,949,655**	129,360,497

32.1 While determining the value of total assets of the TREC Holder, notional value of the TRE certificate held by M/s. Alfa Adhi Securities (Private) Limited as at the year ended June 30, 2020, as determined by the Pakistan Stock Exchange has been considered.

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

33 COMPUTATION OF NET CAPITAL BALANCE AS AT JUNE 30, 2020

	Note	Rupees
CURRENT ASSET		
Cash and bank balances		
Bank balances pertaining to brokerage house	15	4,388,265
Bank balance pertaining to clients	15	59,067,478
		63,455,743
Deposit against		
- Regular Trading Exposure	12	10,000,000
- Future Trading Exposure		3,500,000
		13,500,000
		76,955,743
Investment in listed securities		
Securities on the exposure list marked to market	13.1	12,116,250
Less: 15% discount		(1,817,438)
		10,298,813
Trade receivables		
Book value	9	47,149,467
Less: Over due for more than 14 days		(31,585,508)
Balance generated within 14 days and / not yet due		15,563,959
Securities purchased for the client and held by the member where payment has not been received in 14 days		18,338,763
Commission receivable	10	3,203,273
Total Current Assets	**A**	124,360,551
CURRENT LIABILITIES		
Trade payable		
Book value		59,067,478
Less: Over due for more than 30 days	33.1	(13,465,849)
		45,601,629
Other liabilities	33.1	40,639,030
Total Current Liabilities	**B**	86,240,659
NET CAPITAL BALANCE	**A - B**	38,119,892

33.1 Other Liabilities

	Note	Rupees
Trade liabilities overdue for more than 30 days		13,465,849
Accrued liabilities	19	554,956
Retained profit payable	19	283,333
Short term borrowing	20	24,941,642
Advance against sale of office		1,000,000
Mark-up accrued		393,250
		40,639,030

34 *COMPUTATION OF LIQUID CAPITAL AS AT JUNE 30, 2020*

S. No.	*Head of Account*	*Value in Pak Rupees*	*Hair Cut / Adjustments*	*Net Adjusted Value*
1	**ASSETS**			
1.1	Property & Equipment and Investment Properties	28,462,910	100.00%	-
1.2	Intangible Assets	3,058,931	100.00%	-
1.3	Investment in Government Securities	-	-	-
1.4	**Investment in Debt. Securities**			-
	If listed than:			-
	i. 5% of the balance sheet value in the case of tenure up to 1 year.	-	-	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
	If unlisted than:			-
	i. 10% of the balance sheet value in the case of tenure up to 1 year.	-	-	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
1.5	**Investment in Equity Securities**			-
	i. If listed 15% or VaR of each securities on the cut-off date as computed by the Securities Exchange for respective securities whichever is higher.	12,116,250	2,822,794	9,293,456
	ii. If unlisted, 100% of carrying value.	-	-	-
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 Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	-	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	8,564,000	100.00%	-
1.9	Margin deposits with exchange and clearing house.	13,500,000	-	13,500,000
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments			-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil)	-	-	-
	100% in respect of mark-up 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.)***	-	-	-

S. No.	*Head of Account*	*Value in Pak Rupees*	*Hair Cut / Adjustments*	*Net Adjusted Value*
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	-	-	-
	ii. Income tax refunds due from Government	12,001,415	100.00%	-
	iii. Receivables other than trade receivables	32,959,277	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.	-		-
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. In case receivables are against margin trading, 5% of the net balance sheet value. ***ii. Net amount after deducting haircut***	-	-	-
	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, ***iii. Net amount after deducting haircut***	-	-	-
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. ***iv. Balance sheet value***	3,103,082	-	3,103,082
	v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. ***v. Lower of net balance sheet value or value determined through adjustments***	17,919,899	8,361,196	9,558,703
	vi. 100% haircut in the case of amount receivable form related parties.	26,126,486	100.00%	-
1.18	**Cash and Bank balances**			
	i. Bank balance - proprietary accounts	4,388,265	-	4,388,265
	ii. Bank balance - customer accounts	59,067,478	-	59,067,478
	iii. Cash in hand	-	-	-
1.19	Subscription money against Investment in IPO/offer for Sale: No haircut if shares have not been allotted or are not included in the investments of securities broker.	-	-	-
1.20	**Total Assets**	**221,267,993**		**98,910,984**

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
2	**LIABILITIES**			
2.1	**Trade Payables**			
	i. Payable to exchanges and clearing house	-	-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	59,067,478	-	59,067,478
2.2	**Current Liabilities**			
	i. Statutory and regulatory dues	-	-	-
	ii. Accruals and other payables	554,956	-	554,956
	iii. Short-term borrowings	24,941,642	-	24,941,642
	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long term liabilities	-	-	-
	vi. Deferred Liabilities	-	-	-
	vii. Provision for taxation	-	-	-
	viii. Other liabilities as per accounting principles and included in the financial statements	1,676,583	-	1,676,583
2.3	**Non-Current Liabilities**			
	i. Long-Term financing	-	-	-
	a. Long-Term financing obtained from financial institution: 100% haircut in case of long term portion of financing obtained from a financial institution including amount due against finance lease			
	ii. Staff retirement benefits	2,997,491	-	2,997,491
	iii. Other non-current liabilities as per accounting principles and included in the financial statements	-	-	-
2.4	**Subordinated Loans**			
	i.100% of Subordinated loans which fulfil 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 fulfil the conditions specified by SECP	-	-	-
2.5	**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.	-	-	-
2.6	***Total Liabilities***	89,238,150		89,238,150

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.	-	-	-

S. No.	*Head of Account*	*Value in Pak Rupees*	*Hair Cut / Adjustments*	*Net Adjusted Value*
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	-	1,089,000	1,089,000
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. 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 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**	**-**	**1,089,000**	**1,089,000**

Calculation Summary of Liquid Capital:

1	**Adjusted value of Assets (serial number 1.19)**	**98,910,984**
2	**Less: Adjusted value of liabilities (serial number 2.5)**	**(89,238,150)**
3	**Less: Total ranking liabilities (series number 3.11)**	**(1,089,000)**
		8,583,834

35 GENERAL

35.1 Figures have been rounded off to the nearest Rupee.

35.2 Number of employees as at reporting date and average number of employees during the year were 32 (2019: 36) and 34 (2019: 38) respectively.

35.3 As at reporting date, securities held in the name of sub-account holders (clients) amounted to Rs. 1,220.703 (2019: Rs. 826.673) million comprising of 87,496,466 (2019: 73,685,297) shares.

36 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 02 OCT 2020 by the Board of Directors of the Company.

RHZeo

Chief Executive **Director**

ALFAADHI SECURITIES (PVT) LTD. PSX 021