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PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2020

EY Ford Rhodes
Chartered Accountants
96-B-I, 4th Floor, Pace Mall Building
M. M. Alam Road, Gulberg-II
P.O. Box 104, Lahore-54660

Tel: +9242 3577 8402-11
Fax: +9242 3577 8412-13
ey.lhr@pk.ey.com
ey.com/pk

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INDEPENDENT AUDITOR'S REPORT

To the members of Punjab Capital Securities (Private) Limited

Report on the Audit of the Financial Statements as at 30 June 2020

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of 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 30 June 2020 and total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

Management is responsible for the other information. The other information comprises the Directors' report, 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.

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

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Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up

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to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of 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 was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

EY Ford Rhodes

EY Ford Rhodes
Chartered Accountants
Lahore: 29 October 2020

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	5	1,224,233	1,465,449
Intangible assets	6	7,140,225	7,140,225
Long term investments	7	19,605,539	19,155,066
Long term security deposits	8	2,178,409	2,078,409
Deferred tax asset	9	-	-
		30,148,406	29,839,149
CURRENT ASSETS			
Trade receivables	10	8,983,643	6,535,096
Advances, prepayments and other receivables	11	9,065,346	10,527,878
Tax refund due from Government		2,208,656	1,726,020
Cash and bank balances	12	44,342,701	34,695,271
		64,600,346	53,484,265
TOTAL ASSETS		94,748,752	83,323,414
SHARE CAPITAL AND RESERVES			
Share capital	13	76,500,000	76,500,000
Fair value reserve		4,713,645	4,263,172
Accumulated losses		(11,609,102)	(10,724,325)
		69,604,543	70,038,847
CURRENT LIABILITIES			
Trade and other payables	14	24,762,558	13,059,908
Provision for taxation		381,651	224,659
		25,144,209	13,284,567
TOTAL LIABILITIES		25,144,209	13,284,567
TOTAL EQUITY AND LIABILITIES		94,748,752	83,323,414
CONTINGENCIES AND COMMITMENTS	15		

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Rupees	2019 Rupees
Brokerage income	16	8,189,093	9,753,404
Administrative and operating expenses	17	(13,275,180)	(12,976,307)
Operating Loss		(5,086,087)	(3,222,903)
Other income	18	4,370,274	4,196,385
Finance cost	19	(11,972)	(8,753)
(Loss) / profit before tax		(727,785)	964,729
Taxation	20	(156,992)	(168,789)
(Loss) / profit for the year		(884,777)	795,940
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods			
Gain on equity instrument designated at fair value through other comprehensive income		450,473	837,362
Total comprehensive (loss) / income for the year		(434,304)	1,633,302

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Issued, subscribed and paid-up capital	Fair value reserve	Revaluation surplus	Revenue reserve Accumulated loss	Total Equity
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as on 01 July 2018	76,500,000	3,425,810	300,500	(11,520,265)	68,706,045
Reversal of revaluation surplus on LSE room	-	-	(300,500)	-	(300,500)
Profit for the year	-	-	-	795,940	795,940
Other comprehensive income	-	837,362	-	-	837,362
Total comprehensive income	-	837,362	-	795,940	1,633,302
Balance as on 30 June 2019	**76,500,000**	**4,263,172**	**-**	**(10,724,325)**	**70,038,847**
Loss for the year	**-**	**-**	**-**	**(884,777)**	**(884,777)**
Other comprehensive income	**-**	**450,473**	**-**	**-**	**450,473**
Total comprehensive income	**-**	**450,473**	**-**	**(884,777)**	**(434,304)**
Balance as at June 30, 2020	**76,500,000**	**4,713,645**	**-**	**(11,609,102)**	**69,604,543**

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / Profit before taxation		(727,785)	964,729
Adjustments for non-cash charges and other items:			
Depreciation	5	298,016	374,060
Accrued markup	11	(44,511)	(390,129)
Dividend income		(675,180)	(421,988)
Financial charges	19	11,972	8,753
Operating (loss) / profit before working capital changes		(1,137,488)	535,425
Working capital adjustments			
(Increase) / decrease in current assets			
Advances, prepayments and other receivables	11	1,507,043	(1,446,944)
Trade receivables	10	(2,448,547)	2,996,077
		(941,504)	1,549,133
Increase in current liabilities			
Trade and other payables	14	11,702,650	2,791,303
Cash flows from operations		9,623,658	4,875,861
Income tax paid		(482,636)	(1,245,854)
Dividend income received		675,180	421,988
Net cash generated from operating activities		9,804,230	4,043,242
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of property and equipment	5	(56,800)	(41,350)
Intangible assets purchased	6	-	(265,725)
Security deposited		(100,000)	-
Net cash used in investing activities		(156,800)	(307,075)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash generated from financing activities		-	-
Net increase in cash and cash equivalents		9,647,430	3,736,167
Cash and cash equivalents at the beginning of the year		34,695,271	30,959,104
Cash and cash equivalents at the end of the year	12	44,342,701	34,695,271

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1 GENERAL INFORMATION

1.1 The Punjab Capital Securities (Private) Limited ("the Company") is registered under the repealed Companies Ordinance, 1984 (which is replaced by Companies Act 2017) as a company limited by shares on the 29th day of November 2016. The Company is mainly engaged in business of brokerage services, portfolio management and consultancy services. The registered office of the Company is situated at Room No 319, 3" Floor, Lahore stock exchange (LSE) Building, Lahore.

The Company is wholly-owned subsidiary of First Punjab Modaraba ("the Parent") by virtue of 100% holding of the Company which in turn is the subsidiary of PMSL, ultimate parent of the Company is The Bank of Punjab.

1.2 In light of ongoing COVID-19 pandemic, the Company has reviewed its exposure to business risks and has not identified any risks that could materially impact the financial performance or position of the Company as at June 30, 2020. Consequently, there is no material impact on the recognition and measurement of assets and liabilities.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under Companies Act, 2017;

- Provisions of and directives issued under the Companies Act, 2017; and

Wherever, the requirements of the Companies Act, 2017 or directives issued by the SECP differ with the requirements of these IFRS, the Regulation and the requirements of the Companies Act, 2017 or the requirements of the said directives take precedence.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at their fair value through other comprehensive income or amortized cost as applicable.

2.3 Accounting estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience and other factors involving a higher degree of expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- Useful lives, residual values and depreciation method of property and equipment — Note 3.1
- Impairment loss of non-financial assets - Note 3.8
- Estimation of provisions - Note 3.4
- Current income tax expense, provision for current tax

2.4 Functional and presentation currency

These financial statements are presented in Pakistan rupees, which is the functional and presentation currency for the Company. The figures have been rounded-off to nearest rupees, unless otherwise stated.

2.5 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation		Effective dates (Annual periods beginning on or after)
IFRS 9, IAS 39 & IFRS 7	Interest rate Benchmark Reform - (Amendments)	01 Jan 2020
IAS 1	Presentation of Financial Statements (Amendments)	01 Jan 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	01 Jan 2020
IFRS 10 & 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	01 Jan 2020
IAS 1 & 8	Definition of Material (Amendments)	01 Jan 2020
IFRS 3	Definition of a business (Amendments)	01 Jan 2020

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2020.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation		Effective Dates (Annual periods beginning on or after)
IFRS 1	First Time Adoption of IFRS	01 Jul 2009
IFRS 17	Insurance Contracts	01 Jan 2021

The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application.

2.6 New accounting standards, interpretations, and amendments applicable to the Financial Statements for the year ended 30 June 2020

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards and interpretations effective for annual period beginning on 1 July 2019, as listed below. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 9	Prepayment Features with Negative Compensation — (Amendments)	1 January 2019
IAS 28 -	Long-term Interests in Associates and Joint Ventures — (Amendments)	1 January 2019
IAS 19 -	Plan Amendment, Curtailment or Settlement — (Amendments)	1 January 2019
IFRS 3	Business Combinations - Previously held Interests in a joint operation — (Amendments)	1 January 2019
IFRS 11	Joint Arrangements - Previously held Interests in a joint operation	1 January 2019
IAS 12	Income Taxes - Income tax consequences of payments on financial instruments classified as equity	1 January 2019
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalization	1 January 2019

The adoption of above standards, interpretations and amendments applied for the first time in the year did not have impact on financial statements of the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year except for the change explained below:

3.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment, if any. Cost comprises acquisition and other directly attributable costs. Depreciation is charged to the profit and loss account by applying the reducing balance method at the rates specified in note 5. Depreciation on additions is charged from the day in which the asset is put to use and on disposals, up to the day the asset has been in use.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end. The effect of any adjustment to residual values, useful lives and methods is recognized prospectively as a change of accounting estimate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is derecognized.

Maintenance and normal repairs are charged to profit and loss account as and when incurred, Subsequent cost are included in the assets' carrying amount or recognizes as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will follow to the entity and its cost can be reliably measured. The carrying amount of the asset replaced is de-recognized.

3.2 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, balance with banks on current and deposit accounts.

3.3 Revenue from contract with customers

a) **Brokerage income** is recognized on satisfaction of performance obligation over time i.e on trade date basis.

b) **Dividend income** on equity investments is recognized, when the right to receive the same is established.

a) **Interest income** on margin financing is recognized on outstanding balance using effective interest rate.

3.4 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

3.5 Financial Instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.5.1 Financial assets

Financial assets - initial recognition

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade debts and bank balance that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy in Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include long-term deposits, trade debts, loans and advances, other receivables and bank balances.

Financial assets - subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at fair value through profit or loss
b) Financial assets at amortized cost (debt instruments)
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
d) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

a) The financial asset is held within a business model with the objective 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 amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized costs includes long term deposits, trade debts, advance to employees against salary and other receivables excluding sales tax refund bonds.

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have any financial assets designated at fair value through OCI (equity instruments).

Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

a) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company does not have debt instruments recorded at fair value through OCI with recycling of cumulative gains and losses.

Financial assets - Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized when:

a) The rights to receive cash flows from the asset have expired; or

b) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained ubstantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial assets - Impairment

The Company recognizes an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade receivables, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognized in the statement of profit or loss.

For bank balances, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of profit or loss.

Upon adoption of IFRS 9, the Company has no material impact on amounts in the statement of financial position as the current methodology adequately reflects requirements of the new standards.

3.5.2 Financial liabilities

Financial liabilities - initial recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include long term loans, short term borrowings utilized under mark-up arrangements, creditors, liabilities against assets subject to finance lease, accrued and other liabilities.

Financial liabilities - subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category applies to long term loans, short term borrowings utilized under mark-up arrangements, creditors, liabilities against assets subject to finance lease, accrued and other liabilities.

Financial liabilities - derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.6 Taxation

3.6.1 Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income.

The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

3.6.2 Deferred

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

Deferred tax is calculated at the rates are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

3.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible asset. No amortization is charged on intangible assets with indefinite useful life.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

3.8 Impairment

The management of the Company reviews carrying amounts of its non financial assets including cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

4 Related party transactions

The Company enters into transactions with related parties on an arm's length basis except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.

	2020	2019
	Rupees	Rupees
5. Property and equipment		
Operating fixed assets - Owned	**1,224,233**	1,465,449

30-Jun-20

Particulars	Cost			Rate	Accumulated Depreciation			Carrying amount at June 30, 2020
	As at July 01, 2019	Additions	As at June 30, 2020		As at July 01, 2019	Charge for the year	As at June 30, 2020	
	Rupees			%	Rupees			
Furniture and fixtures	748,985	-	748,985	15	235,739	76,466	312,205	436,780
Computers	1,175,180	37,800	1,212,980	30	699,517	149,290	848,807	364,173
Office equipment	720,852	19,000	739,852	15	244,312	72,260	316,572	423,280
	2,645,017	56,800	2,701,817		1,179,568	298,016	1,477,584	1,224,233

30-Jun-19

Particulars	Cost			Rate	Accumulated Depreciation			Carrying amount at June 30, 2019
	As at July 01, 2018	Additions	As at June 30, 2019		As at July 01, 2018	Charge for the period	As at June 30, 2019	
	Rupees			%	Rupees			
Furniture and fixtures	721,485	27,500	748,985	15	147,592	88,147	235,739	513,246
Computers	1,175,180	-	1,175,180	30	495,662	203,855	699,517	475,663
Office equipment	707,002	13,850	720,852	15	162,254	82,058	244,312	476,540
	2,603,667	41,350	2,645,017		805,508	374,060	1,179,568	1,465,449

		Note	2020 Rupees	2019 Rupees
6	**INTANGIBLE ASSETS**			
	LSE room	6.1	4,640,225	4,640,225
	Trading right entitlement certificate (TREC)	6.2	2,500,000	2,500,000
			7,140,225	7,140,225
6.1	**LSE room**			
	Cost		4,640,225	4,675,000
	Addition during the year	6.1.1	-	265,725
	Reversal of revaluation surplus		-	(300,500)
			4,640,225	4,640,225

This represents cost of right to use room given by LSE Financial Services Limited with indefinite useful life. These are considered to be indefinite as there is no foreseeable limit on the period during which an entity expects to consume the future economic benefits. The right to use the room was purchased on 24 April 2017 amounting to Rs.4,374,500.

6.1.1 This represents charges in respect of transfer of right to use LSE room in the name of the Company.

		Note	2020 Rupees	2019 Rupees
6.2	**Trading right entitlement certificate (TREC)**			
	Carrying value		2,500,000	2,500,000
	Impairment in value of TREC		-	-
			2,500,000	2,500,000
	Cost		5,000,000	5,000,000

This represents the trading right entitlement certificate by Pakistan Stock Exchange in order to carry out trading. In the year ended 30 June 2018, PSX has reduced the notional value of transferable TRE Certificate from Rs.5 million to Rs.2.5 million for the purpose of Base Minimum Capital (BMC) through its notification PSX/N-7178 dated 10 November 2017.

Further, the TREC is under lien in favor of PSX to meet the requirement of Base Minimum Capital (BMC) of the Risk Management Regulation of PSX Rule Book.

		Note	2020 Rupees	2019 Rupees
7	**LONG TERM INVESTMENTS**			
	LSE Financial Services Limited 843,975 (2019: 843,975)	7.1	19,605,539	19,155,066
7.1	Opening		19,155,066	14,891,894
	Effect of application of IFRS 9		-	3,425,810
	Revaluation gain during the year		450,473	837,362
	Closing value		19,605,539	19,155,066

7.2 In absence of active market for shares of LSE Financial Services Limited, it is measured using net asset value of Rs. 23.23 (2019: Rs. 22.70), which approximates the fair value of shares of LSE Financial Services Limited as majority assets held by LSE Financial Services Limited are carried at revaluation/fair value model.

7.3 LSE Financial Services Limited shares are under lien in favor of PSX to meet the requirement of Base Minimum Capital (BMC) of the Risk Management Regulation of PSX Rule Book.

		Note	2020 Rupees	2019 Rupees
8	**LONG TERM SECURITY DEPOSITS**			
	National clearing company of Pakistan limited (NCCPL)		1,500,000	1,400,000
	Central depository company		100,000	100,000
	Pakistan stock exchange (PSX)	8.1	576,909	576,909
	Others		1,500	1,500
			2,178,409	2,078,409

8.1 This represents deposit with Pakistan stock exchange to meet the Base Minimum Capital (BMC) requirement of the Risk Management Regulation of PSX Rule Book.

	Note	2020 Rupees	2019 Rupees
9 DEFERRED TAX ASSETS			

9.1 The aggregate deferred tax asset available to the Company for set off against future taxable profits at June 30, 2020 amounted to Rs.4,355,525 (2019: Rs 3,954,594). Of these, deferred tax asset aggregating Rs. 2,021,127 (2019: Rs 1,862,424) have been recognized in the financial statements against deferred tax liability as at June 30, 2020. Due to uncertainty with regard to availability of future taxable profits for utilization of deferred tax assets, the management has not recognized deferred tax assets amounting to Rs. 2.334 million (2019: Rs. 2.128 million) for the year.

Expiry of business and depreciation losses are as follows:

Tax year	Nature	Note	2020 Rupees	2019 Rupees
2023	Business loss		5,781,136	5,781,136
2024	Business loss		7,275,839	7,275,839
2025	Business loss		1,729,442	76,505
			14,786,417	13,133,480
No Expiry	Depreciation and amortization loss		1,093,728	573,435
2025	Minimum tax		55,870	55,870
2026	Minimum tax		156,992	-
			212,862	55,870

10 TRADE RECEIVABLES

	Note	2020	2019
Receivable against margin financing		5,879,854	3,208,388
Receivable from NCCPL		2,839,675	2,978,311
Other trade receivables	10.1	264,114	348,397
		8,983,643	6,535,096

10.1 Aging Analysis

	Note	2020	2019
Within 5 days		35,918	111,788
Above 5 days		228,196	236,609
		264,114	348,397
Receivables above 5 days net-off collateral (after applying haircut)	10.1.1	171,012	88,986

10.1.1 As per clarifications issued by PSX in its notice PSX/N-6741, this information is required as additional disclosure and does not provide accounting treatment hence no provision was recorded.

11 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	Note	2020 Rupees	2019 Rupees
Advances to suppliers		119,585	119,585
Advances to employees	11.1	-	116,914
Prepayment		1,250	1,250
Security deposit	11.2	8,900,000	9,900,000
Accrued markup on margin financing		44,511	390,129
		9,065,346	10,527,878

11.1 This includes advances to employees on account of expenses.

11.2 This represents deposits with the Pakistan Stock Exchange Limited against regular trade and future trade exposure.

		Note	2020 Rupees	2019 Rupees
12	**CASH AND BANK BALANCE**			
	Cash in hand		-	1,585
	Balance with bank			
	Current accounts	12.1	23,088,619	11,589,177
	Saving accounts	12.2	21,254,082	23,104,509
			44,342,701	34,695,271

12.1 The bank balance include customer's bank balance held in designated bank accounts amounting to Rs. 20.96 million (2019: Rs. 10.93 million).

12.2 The balance in saving account bear mark-up at the rate of 5.45% to 10.75% per annum. (2019: 3.75% to 9%).

		Note	2020 Rupees	2019 Rupees
13	**SHARE CAPITAL**			
	Authorized			
	20,000,000 (2019: 20,000,000) ordinary shares of Rs.10 each		200,000,000	200,000,000
13.1	**Issued, subscribed and Paid up share capital**			
	7,650,000 (2019: 7,650,000) ordinary shares of Rs.10 each fully paid-up in cash		76,500,000	76,500,000
14	**TRADE AND OTHER PAYABLES**			
	Trade payables	14.1	22,314,774	11,518,564
	Others payable		1,137,480	827,723
	Provident fund payable	14.2	1,310,304	713,621
			24,762,558	13,059,908

14.1 The above balance of Rs.22,314,774 (2019: 11,518,564) has been reported under trade date basis while the balance under settlement date basis amounts to Rs. 17,796,262 (2019: 9,373,681)

14.2 The investments out of the provident fund have not been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and rules formulated for this purpose.

15 **CONTINGENCIES AND COMMITMENTS**

The Company is not exposed to any contingency and commitments as on reporting date (2019: Nil).

		Note	2020 Rupees	2019 Rupees
16	**BROKERAGE INCOME**			
	Gross brokerage income		9,748,920	11,319,329
	Federal excise duty		(1,559,827)	(1,565,925)
		16.1	8,189,093	9,753,404
16.1	**Gross brokerage income**			
	Retail clients		8,133,410	9,643,089
	Institutional clients		55,683	110,315
			8,189,093	9,753,404

		Note	2020 Rupees	2019 Rupees
17	**ADMINISTRATIVE AND OPERATING EXPENSES**			
	Salaries, allowances and other benefits	17.1	**10,031,809**	9,724,111
	Rent, rates and taxes		**12,190**	13,027
	Repairs and maintenance		**247,366**	177,965
	Utilities		**443,129**	381,542
	Fees & subscription		**359,612**	357,755
	PSX, clearing house and CDC charges, etc.		**448,512**	627,712
	Insurance charges		**3,998**	123,421
	Travelling and conveyance		**15,420**	26,930
	Depreciation		**298,016**	374,060
	Communication, printing and stationery		**169,946**	96,339
	Legal and professional charges		**719,070**	429,729
	Entertainment		**117,946**	104,512
	Commission paid to traders		**27,096**	326,568
	Auditor remuneration	17.2	**260,000**	211,500
	Miscellaneous expenses		**121,070**	1,136
			13,275,180	12,976,307

17.1 Salaries, allowances and other benefits include Rs. 298,341 (2019: Rs.275,041) in respect of provident fund contribution paid by the Company.

		Note	2020 Rupees	2019 Rupees
17.2	**Auditor Remuneration**			
	Statutory audit		**200,000**	200,000
	Certifications		**50,000**	-
	Out of pocket expenses		**10,000**	11,500
			260,000	211,500
18	**OTHER INCOME**			
	Profit on bank deposit		**2,148,758**	399,617
	Margin finance income		**479,713**	2,245,492
	Margin trading income		**-**	7,768
	Return on exposure deposit with PSX		**881,800**	1,096,808
	Dividend income		**675,180**	421,988
	Miscellaneous Income		**151,719**	24,712
	Base minimum capital profit		**33,104**	-
			4,370,274	4,196,385
19	**FINANCE COST**			
	Bank charges		**10,370**	8,750
	FED charges		**1,602**	3
			11,972	8,753

	Note	2020 Rupees	2019 Rupees
20 TAX			
Current tax		**156,992**	168,789
Deferred tax	9	**-**	-
		156,992	168,789

20.1 Relationship between federal tax expense and accounting profit

In view of available income tax losses, provision for current taxation for the year ended June 30, 2020 is based on "Minimum Tax" u/s 113 of Income Tax Ordinance, 2001. Owing to accounting and tax losses and charging minimum tax, the reconciliation of average effective tax rate with applicable tax rate is not given.

21 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive, Director and Executives of the Company are as follows:

	Chief Executive		Executives	
	2020 Rupees	2019 Rupees	**2020 Rupees**	2019 Rupees
Managerial remuneration	**2,580,000**	2,400,000	**3,585,000**	2,891,250
Other benefits	**983,783**	948,370	**60,000**	35,000
Provident fund	**134,325**	124,956	**155,400**	134,125
	3,698,108	3,473,326	**3,800,400**	3,060,375
No. of persons	**1**	1	**5**	4

22 RELATED PARTY TRANSACTION

The related parties comprise parent, Key management personnel, directors and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under respective notes of these financials statement. Other significant transactions with related parties are as follows:

Relationship with company	Nature of transactions	2020 Rupees	2019 Rupees
Parent company			
The Bank of Punjab	Brokerage income earned	**68,926**	110,415
Key management personnel			
Chief Executive Officer	Commission paid to PCS	**388,150**	96,621
Head of Operations	Commission paid to PCS	**14,474**	22,333
Senior Risk Manager	Commission paid to PCS	**75**	10,960

23. Financial instruments and related disclosures

23.1 Maturities of financial assets and liabilities

As At June 30, 2020

	Mark-up bearing maturity				Non-mark-up bearing maturity				
	Upto one year	Over one year upto five years	Over five years	Sub-total	Upto one year	Over one year upto five years	Over five years	Sub-total	Total
	Rupees								
Financial assets									
Long term security deposits	-	-	-	-	100,000	-	2,078,409	2,178,409	2,178,409
Trade debts	-	-	-	-	8,983,643	-	-	8,983,643	8,983,643
Advances, prepayments and other receivables	8,900,000	-	-	8,900,000	44,511	-	-	44,511	8,944,511
Long term investment	-	-	-	-	-	-	19,605,539	19,605,539	19,605,539
Cash and bank balances	21,254,082	-	-	21,254,082	23,088,619	-	-	23,088,619	44,342,701
	30,154,082	-	-	30,154,082	32,216,773	-	21,683,948	53,900,721	84,054,803
Financial liabilities									
On balance sheet									
Trade and other payables	-	-	-	-	12,134,787	-	-	12,134,787	12,134,787
	-	-	-	-	12,134,787	-	-	12,134,787	12,134,787
Off balance sheet	-	-	-	-	-	-	-	-	-
	-	-	-	-	12,134,787	-	-	12,134,787	12,134,787

As At June 30, 2020

	Mark-up bearing maturity				Non-mark-up bearing maturity				
	Upto one year	Over one year upto five years	Over five years	Sub-total	Upto one year	Over one year upto five years	Over five years	Sub-total	Total
	Rupees								
Financial assets									
Long term security deposits	-	-	-	-	-	-	2,078,409	2,078,409	2,078,409
Trade debts	-	-	-	-	6,535,096	-	-	6,535,096	6,535,096
Advances, prepayments and other receivables	9,900,000	-	-	9,900,000	390,129	-	-	390,129	10,290,129
Long term investement	-	-	-	-	-	-	19,155,066	19,155,066	19,155,066
Cash and bank balances	23,104,509	-	-	23,104,509	11,590,762	-	-	11,590,762	34,695,271
	33,004,509	-	-	33,004,509	18,515,987	-	21,233,475	39,749,462	72,753,971
Financial liabilities									
On balance sheet									
Trade and other payables	-	-	-	-	12,346,287	-	-	12,346,287	12,346,287
	-	-	-	-	12,346,287	-	-	12,346,287	12,346,287
Off balance sheet	-	-	-	-	-	-	-	-	-
	-	-	-	-	12,346,287	-	-	12,346,287	12,346,287

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23.2 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. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is not exposed to any short term borrowing arrangements having variable rate pricing.

23.3 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 & cash equivalents and marketable securities and the ability to close out market positions due to dynamic nature of the business. Currently, there is no liquidity risk.

23.4 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, Company applies credit limits and deal with credit worthy parties. It makes full provision against those balances considered doubtful and by dealing with variety of major banks and financial institutions.. The Company is not materially exposed to credit risk.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate. The table below shows the bank balances held with some major counterparties at the balance sheet date:

	Rating			2020	2019
Banks	**Short term**	**Long term**	**Agency**	**Rupees**	Rupees
Bank Alfalah Ltd.	A1+	AA+	PACRA	**14,204,793**	7,395,590
Bank AL Habib Ltd.	A1+	AA+	PACRA	**28,167,124**	24,777,288
				44,342,701	34,693,686

23.5 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimated fair values of all the financial assets and liabilities are not materially different from their book values as at the balance sheet date.

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table presents the Company's assets and liabilities that are measured at fair value as at June 30, 2020:

Assets	**Level 1**	**Level 2**	**Level 3**
LSE Financial Services Limited	-	-	**19,605,539**

23.6 NET CAPITAL BALANCE

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

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

DESCRIPTION	VALUATION	Note	2020 Rupees
CURRENT ASSETS			
Cash and bank balances			
Pertaining to house account	As per book value	12	23,378,346
Pertaining to client account	As per book value	12	20,964,355
Deposit against exposure		11	8,900,000
Trade receivables	Book value	10	8,983,643
	Less overdue for more than 14 days	10	(129,048)
		23.6.2	8,854,595
Investment in listed securities in name of brokers	Securities marked to market less than 15% discount.		-
Securites purchased for client	Securities purchased from the client and held by the member where the payment has not been received within 14 days		42,797
			62,140,093
CURRENT LIABILITIES			
Trade Payables	Book value	14	22,314,774
	Less those overdue for more than 30 days		(6,447,548)
		23.6.3	15,867,226
Other liabilities	As per book value	23.6.4	8,717,332
			24,584,558
Net capital balance as at 30 June 2020			37,555,535

23.6.1 BASIS OF ACCOUNTING

This Statement of Net Capital Balance has been prepared in accordance with the requirements of the Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) read with Rule 2(d) of the Securities Exchange Commission (SEC) Rules 1971 (SEC Rules 1971) issued by the Securities & Exchange Commission of Pakistan (SECP).

		2020 Rupees
23.6.2	**TRADE RECEIVABLES**	
	Receivable against margin financing	5,879,854
	Receivable from NCCPL	2,839,675
	Other trade receivables	264,114
		8,983,643
	Less over due for more than 14 days	129,048
		8,854,595
23.6.3	**TRADE PAYABLES**	
	Sundary Creditors	22,314,774
	Less more than 30 days payable	(6,447,548)
		15,867,226
23.6.4	**OTHER LIABILILITIES**	
	Sundary creditors for more than 30 days	6,447,548
	Provident fund payable	1,310,304
	Others payable	959,480
		8,717,332

23.7 LIQUID CAPITAL STATEMENT

S. No.	Head of Account	Value	Hair Cut / Adjustments	Net Adjusted Value
	Rupees			
1	**Assets**			
1.1	Property & Equipment	1,224,233	1,224,233	-
1.2	Intangible Assets	7,140,225	7,140,225	-
1.3	Investment in Govt. Securities	-	-	-
1.4	Investment in Debt. Securities			
	If listed than:			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.	-	-	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
	If unlisted than:			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.	-	-	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
1.5	Investment in Equity Securities			
	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.		-	-
	ii. If unlisted, 100% of carrying value.	19,605,539	19,605,539	-

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S. No.	Head of Account	Value	Hair Cut / Adjustments	Net Adjusted Value
		Rupees		
	iii.Subscription money against Investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been alloted or are not included in the investments of securities broker.	-	-	-
	iv.100% Haircut shall be applied to Value of Investment in any asset including shares of listed securities that are in Block, Freeze or Pledge status as on reporting date. (July 19, 2017) Provided that 100% haircut shall not be applied in case of investment in those securities which are Pledged in favor of Stock Exchange / Clearing House against Margin Financing requirements or pledged in favor of Banks against Short Term financing arrangements. In such cases, the haircut as provided in schedule III of the Regulations in respect of investment in securities shall be applicable (August 25, 2017)	-	-	-
1.6	Investment in subsidiaries	-	-	-
1.7	Investment in associated companies/undertaking			
	i. If listed 20% or VaR of each securities as computed by the Securites Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	-	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	2,176,909	2,176,909	-
1.9	Margin deposits with exchange and clearing house.	8,900,000	-	8,900,000
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	1,500	1,500	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil)	44,511	-	44,511
	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	-	-
1.13	Dividends receivables.	-	-	-
1.14	Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. (Securities purchased under repo arrangement shall not be included in the investments.)	-	-	-
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	-	-	-
	ii. Receivables other than trade receivables	2,329,491	2,329,491	-
1.16	Receivables from clearing house or securities exchange(s)			
	100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-
	claims on account of entitlements against trading of securities in all markets including MtM gains.	2,839,675	-	2,839,675

S. No.	Head of Account	Value	Hair Cut / Adjustments	Net Adjusted Value
		Rupees		
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.	5,879,854	4,978,430	4,978,430
	ii. Incase receivables are against margin trading, 5% of the net balance sheet value. ii. Net amount after deducting haircut	-	-	-
	iii. Incase receivalbes are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, iii. Net amount after deducting haricut	-	-	-
	iv. Incase of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. iv. Balance sheet value	35,918	-	35,918
	v. Incase of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. v. Lower of net balance sheet value or value determined through adjustments	220,055	-	-
	vi. 100% haircut in the case of amount receivable form related parties.	8,142	8,141	-
1.18	Cash and Bank balances			
	I. Bank Balance-proprietory accounts	23,378,346	-	23,378,346
	ii. Bank balance-customer accounts	20,964,354	-	20,964,354
	iii. Cash in hand	-	-	-
1.19	Total Assets	94,748,752	37,464,468	61,141,234
2	**Liabilities**			
2.1	Trade Payables			
	i. Payable to exchanges and clearing house	1,783,862	-	1,783,862
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	20,530,912	-	20,530,912
2.2	Current Liabilities			-
	i. Statutory and regulatory dues	-	-	-
	ii. Accruals and other payables	1,137,480	-	1,137,480
	iii. Short-term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long term liabilities	-	-	-
	vi. Deferred Liabilities	-	-	-
	vii. Provision for bad debts	-	-	-
	viii. Provision for taxation	381,651	-	381,651

S. No.	Head of Account	Value	Hair Cut / Adjustments	Net Adjusted Value
		Rupees		
	ix. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.3	Non-Current Liabilities	-	-	-
	i. Long-Term financing	-	-	-
	a. Long-Term financing obtained from financial instituion: Long term portion of financing obtained from a financial institution including amount due against finance lease	-	-	-
	b. Other long-term financing	-	-	-
	ii. Staff retirement benefits	1,310,304	-	1,310,304
	iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Boad of Directors of the company has approved the increase in capital c. Relevant Regulatory approvals have been obtained d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e. Auditor is satisfied that such advance is against the increase of capital.	-	-	-
	iv. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.4	Subordinated Loans			
	i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified: a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period b. No haircut will be allowed against short term portion which is repayable within next 12 months. c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.	-	-	-
	ii. Subordinated loans which do not fulfill the conditions specified by SECP	-	-	-
2.5	Total Liabilites	25,144,209	-	25,144,209
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.	-	5,538,357	5,538,357
3.2	Concentration in securites lending and borrowing			
	The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (Ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-

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S. No.	Head of Account	Value	Hair Cut / Adjustments	Net Adjusted Value
	Rupees			
3.3	Net underwriting Commitments			
	(a) in the case of right issuse : if the market value of securites is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issuse where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting	-	-	-
	(b) in any other case : 12.5% of the net underwriting commitments	-	-	-
3.4	Negative equity of subsidiary			
	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
3.5	Foreign exchange agreements and foreign currency positions			
	5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign cuurency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
3.7	Repo adjustment			
	In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securites. In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received ,less value of any securites deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
3.8	Concentrated proprietary positions			
	If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position,then 10% of the value of such security	-	343,950	343,950
3.9	Opening Positions in futures and options			
	i. In case of customer positions, the total margin requiremnets in respect of open postions less the amount of cash deposited by the customer and the value of securites held as collateral/ pledged with securities exchange after applyiong VaR haircuts	-	-	-
	ii. In case of proprietary positions , the total margin requirements in respect of open positions to the extent not already met	-	-	-

S. No.	Head of Account	Value	Hair Cut / Adjustments	Net Adjusted Value
		Rupees		
3.10	Short selll positions			
	i. Incase of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts	-	-	-
	ii. Incase of proprietory positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.	-	-	-
3.11	Total Ranking Liabilites	-	5,882,307	5,882,307
			Liquid Capital	**30,114,718**

4 Basis of Accounting

This Statement of Liquid Capital has been prepared in accordance with the requirements of the Third Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) issued by the Securities & Exchange Commission of Pakistan (SECP).

23.6 Foreign exchange risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency. The Company is currently not exposed to foreign exchange risk.

23.7 Capital Risk Management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other shareholders and to maintain an optimal capital structure to reduce the cost of capital. Currently, the Company has zero borrowing at balance sheet thus minimizing the gearing ratio.

24. No. of employees

The total and average number of employees respectively are as follows:

	2020	2019
	Number	Number
Number of employees	**11**	10
Average number of employees	**11**	10

	Note	2020	2019
25. Capital Adequacy Level		**Rupees**	Rupees
Total assets	**25.1**	**94,748,752**	83,323,414
Less: Total liabilities		**25,144,209**	13,284,567
Revaluation surplus		-	-
		25,144,209	13,284,567
Capital adequacy level		**69,604,543**	70,038,847

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25.1 While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate held by the Company as at year ended 30 June 2020 as determined by Pakistan Stock Exchange has been considered.

26. Date of authorization

These financial statements have been authorized for issue by the Board of Directors of the Company on 15 OCT 2020

CHIEF EXECUTIVE

DIRECTOR