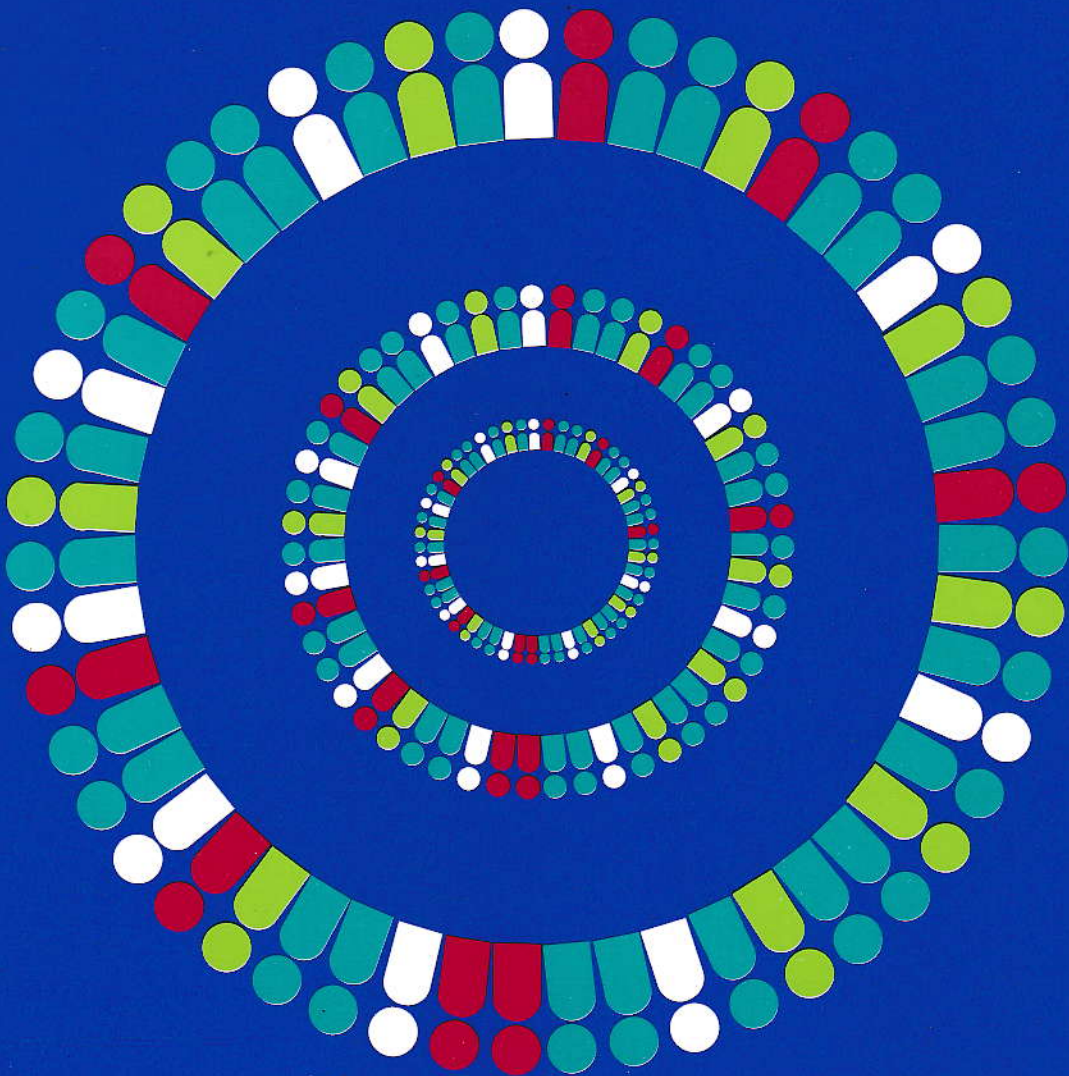


Nael Capital (Private) Limited
Financial Statements
For the year ended
June 30, 2020



INDEPENDENT AUDITOR'S REPORT

To the members of **NAEL CAPITAL (PRIVATE) LIMITED**

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statement of **NAEL CAPITAL (PRIVATE) LIMITED**, 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, the statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flow 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, 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 for the year then ended; and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan / Institute of Cost and management Accountants (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.

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 requirement of Companies Act, 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 operation, or has no realistic alternative but to do so. Boards of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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;
- b) 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 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.

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

UHY Hassan Naeem & Co.

KARACHI

DATE: 02ND October, 2020

NAEL CAPITAL (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020 (Rupees)	2019 (Rupees)
ASSETS			
NON CURRENT ASSETS			
Property and equipment	4	3,475,029	4,447,177
Intangible assets	5	3,600,000	3,665,924
Investment-at Fair value through other comprehensive income	6	10,703,821	14,055,522
Long term deposits	7	1,302,000	1,302,000
		19,080,850	23,470,623
CURRENT ASSETS			
Trade debts	8	3,449,037	2,197,669
Investment at fair value through profit and loss	9	20,957,163	16,815,297
Advances, deposits, prepayments and other receivables	10	41,659,524	52,335,227
Cash and bank balances	11	24,965,524	24,510,536
		91,031,248	95,858,729
		110,112,098	119,329,352
EQUITY AND LIABILITIES			
CAPITAL RESERVES			
Authorized capital	12.1	300,000,000	300,000,000
Issued, subscribed and paid-up capital	12.2	70,434,993	70,434,993
Share premium		51,000,000	51,000,000
Accumulated Profit/(Loss)		(17,727,535)	(16,279,433)
Surplus/(Deficit) - Investment at Fair value through other comprehensive income		(10,925,297)	(7,573,596)
		92,782,161	97,581,964
CURRENT LIABILITIES			
Trade and other payable	13	17,329,937	21,747,388
		17,329,937	21,747,388
Contingencies and commitments	14	-	-
		110,112,098	119,329,352

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



 Chief Executive



 Director

**NAEL CAPITAL (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020**

	<i>Note</i>	2020 <i>(Rupees)</i>	2019 <i>(Rupees)</i>
Revenue from contract with customers	15	15,343,394	9,746,536
Operating and administrative expenses	16	(17,289,867)	(20,791,942)
Finance Cost	17	(162,075)	(85,440)
Other income	18	<u>1,792,067</u>	<u>(4,994,627)</u>
NET (LOSS) BEFORE TAXATION		(316,481)	(16,125,473)
Taxation	19	<u>(1,131,622)</u>	<u>(303,204)</u>
NET (LOSS) AFTER TAXATION		<u>(1,448,102)</u>	<u>(16,428,677)</u>

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



Chief Executive



Director

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

	2019 <i>(Rupees)</i>	2018 <i>(Rupees)</i>
(loss) for the year	(316,481)	(23,113,884)
Other Comprehensive Loss		
Unrealised (loss) on revaluation of investments at fair vlaue thorough - other comprehensive income	(3,351,701)	(9,376,754)
TOTAL COMPREHENSIVE (LOSS)	<u>(3,668,182)</u>	<u>(32,490,638)</u>

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



Chief Executive



Director

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

	Issued, Subscribed and Paid-up Capital	Share Premium	Accumulated Profit/(Loss)	Surplus/ (Deficit) - Investment (FVTOCI)	Total
-----Rupees-----					
Balance as at June 30, 2018	70,434,993	51,000,000	149,244	(271,981)	121,312,256
Net (loss) for the year	-	-	(16,428,677)	-	(16,428,677)
Surplus/(Deficit) - Investment at Fair value through OCI	-	-	-	(7,301,615)	(7,301,615)
Balance as at June 30, 2019	70,434,993	51,000,000	(16,279,433)	(7,573,596)	97,581,964
Net (loss) for the year	-	-	(1,448,102)	-	(1,448,102)
Surplus/(Deficit) - Investment at Fair value through OCI	-	-	-	(3,351,701)	(3,351,701)
Balance as at June 30, 2020	70,434,993	51,000,000	(17,727,535)	(10,925,297)	92,782,161

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



Chief Executive



Director

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

	2020 <i>(Rupees)</i>	2019 <i>(Rupees)</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	(316,481)	(16,125,473)
<u>Adjustment for non-cash items</u>		
Depreciation	982,648	1,105,047
Amortization	65,924	96,924
Realized Gain/(Loss) Investment at fair value through P&L	(346,822)	(550,678)
Unrealized Gain/(Loss) Investment at fair value through P&L	2,724,040	7,682,031
Dividend income	(995,598)	(303,398)
Gain / (Loss) on disposal of fixed assets	-	13,479
Operating profit before working capital changes	2,430,192	8,043,405
<u>Changes in working capital</u>		
Decrease / (increase) in trade debts	(1,251,368)	(192,167)
Decrease / (increase) in advances, deposits and prepayments	10,708,798	(3,569,294)
(Decrease) / increase in trade and other payable	(4,417,451)	(6,834,949)
	5,039,980	(10,596,410)
Taxes paid	(1,164,717)	(1,325,616)
Net cash (used in)/generated from operating activities	5,988,974	(20,004,094)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(10,500)	(214,795)
Proceeds from sale of property and equipment	-	10,090
Acquisition/Disposal of investments - net of sales	(6,519,084)	877,905
Long-term deposits	-	1,918,800
Dividend received	995,598	303,398
Net cash (used in)/generated from investing activities	(5,533,986)	2,895,399
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease rental paid	-	(3,636,750)
Net cash (used in)/generated from financing activities	-	(3,636,750)
Net increase in cash and cash equivalent	454,988	(20,745,446)
Cash and cash equivalent at beginning of the year	24,510,536	45,255,982
Cash and cash equivalent at end of the year	<u>24,965,524</u>	<u>24,510,536</u>

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



Chief Executive



Director

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

1 Legal Status and Nature of Business

Nael Capital (Private) limited was incorporated under the Companies Ordinance, 1984 as a private Limited company. The Company is a corporate member of Pakistan Stock Exchange Limited. The registered office of the company is located at 601, 6th floor Business Finance Centre, I.I Chandigarh Road. The principal activities of the Company are investment and share brokerage.

2 Basis of Preparation

2.1 Statement of Compliance

These financial statements are prepared in accordance with the provisions of the Companies Act, 2017. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention except Investments that are carried at fair value.

2.3 Functional and Presentation Currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Company.

2.4 Critical Accounting Estimates and Judgments

The preparation of financial statements is 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 reported amounts of assets and 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 carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, value of intangibles and provision for doubtful receivables.

2.5 New Accounting pronouncements

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

Description effective for periods		Effective for periods beginning on or after
IAS 1	Presentation of financial statements (Amendments)	January 01, 2020
IAS 41	Agriculture (Amendments)	January 01, 2022
IFRS 09	Financial Instruments (Amendments)	January 01, 2022
IFRS 16	Leases (Amendments)	June 01, 2020

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have material effect on the Company's financial statements in the period of initial application.

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

Description effective for periods		Effective for periods beginning on or after
IFRS 01	First time adoption of International Financial Reporting Standards	July 01, 2009
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 17	Insurance Contract	January 01, 2022

3 Summary of Significant Accounting Policies

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

3.1 Taxation

Income tax expense comprises of current, and prior year. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity

3.1.1 Current

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

3.1.2 Deferred Tax

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

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

3.2 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. Cost incurred to replace a component of an item of property and equipment is capitalized, the asset so replaced is retired from use and its carrying amount is derecognized. Normal repairs and maintenance are charged to the profit and loss account in the period in which they are incurred.

Depreciation on all property and equipment is charged to the profit and loss account using Reducing balance method over the asset's useful life at the rates stated Note no. 4. The depreciation on property and equipment is charged full in the month of acquisition and no depreciation is charged in the month of disposal. Gains or losses on disposal of an item of property and equipment are recognized in the profit and loss account. The assets' residual value and useful life are reviewed at each financial year end, and adjusted if appropriate.

3.3 Intangible Assets

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged using the straight line method over assets estimated useful life at the rates stated therein, after taking into account residual value, if any. The residual values, useful lives and amortization methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Amortization on additions is charged from the month the assets are put to use while no amortization is charged in the month in which the assets are disposed of. Gain and losses on disposal of such assets, if any, are included in the profit and loss account.

3.4 Non-Financial Assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized, as an expense in the profit and loss account. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a pretax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flow have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized previously. Reversal of an impairment loss is recognized immediately in profit and loss account.

3.5 Financial Instruments

3.5.1 The company classifies its financial assets in the following three categories:

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

a) Financial assets at amortized cost:

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

b) Financial assets at FVOCI:

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

It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding; or

It is an investment in equity instrument which is designated as at fair value through other comprehensive income in accordance with the irrevocable election available to the company at initial recognition.

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

c) Financial assets at FVTPL:

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

Such financial asset is initially measure at fair value.

3.5.2 Initial recognition:

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

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

3.5.3 Subsequent measurement:

a) Financial asset measured at amortized cost

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

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

b) Financial asset at FVOCI

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

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

c) Financial asset at FVPL

These assets are subsequently measured at fair value.

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

3.5.4 Impairment:

The company's financial asset that is subject to impairment requirements of IFRS 9 is trade and other receivables.

The company applies the IFRS 09 'simplified approach' to measuring expected credit losses which uses a lifetime expected credit loss allowance. The company measures expected credit losses in a way that reflects an unbiased and probability weighted amount, time value of money and reasonable and supportable information at reporting date about past events, current conditions, and forecast of future economic conditions. The company recognizes in profit and loss account, as an impairment loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

3.6 offsetting of financial assets and financial liabilities:

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

3.7 Trade Debts:

Trade debts and other receivables are stated initially at amortized cost using effective interest rate method. Provision is made on the basis of life time ECLs that result from all the possible events over the expected life of the trade debts and other receivables. Bad debts are written off when considered irrecoverable.

3.8 Trade and Other Payables

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

3.9 Provisions

Provisions are recognized when the Company has present obligation (legal or constructive obligation) as a result of a past event, it is probable that 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. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate

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

3.10 Revenue Recognition

- Brokerage income is recognized at a point in time as and when transaction is executed.
- Mark-up income, return on bank deposits and balances are recognized on accrual basis.

3.11 Cash and Cash Equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, bank balances and highly liquid short term investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.12 Related Party Transactions

Transactions in relation to sales purchase and services with related parties are made at arm's length price which is determined in accordance with the comparable uncontrolled price method. The related parties comprise of entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors and key management employees.

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

4. PROPERTY AND EQUIPMENT

Particulars	Cost				Rate %	Depreciation				WDV
	As at July 01, 2019	Additions	Disposals/ Write off	As at June 30, 2020		As at July 01, 2019	For the Year	Disposals/ Write off	As at June 30, 2020	As at June 30, 2020
	-----Rupees-----					-----Rupees-----				
Generator	1,048,330	-	-	1,048,330	10%	1,048,330	-	-	1,048,330	-
Office Equipments	1,616,357	10,500	-	1,626,857	10%	1,354,411	29,442	-	1,383,853	243,004
Furniture & Fixtures	203,292	-	-	203,292	10%	189,491	2,556	-	192,047	11,245
Computers	2,943,954	-	-	2,943,954	33%	2,888,173	54,276	-	2,942,449	1,505
Vehicle	8,104,366	-	-	8,104,366	20%	3,988,717	896,374	-	4,885,091	3,219,275
June 30, 2020	13,916,299	10,500	-	13,926,799		9,469,130	982,648	-	10,451,770	3,475,029
June 30, 2019	13,816,604	214,795	(126,300)	13,916,299		8,455,613	1,105,047	(91,530)	9,469,130	4,447,177

2020
(Rupees)

2019
(Rupees)

5. INTANGIBLE ASSETS

Booth at Pakistan Stock Exchange

Trading Right Entitlement Certificate (TREC)

Computer Software

5.1

5.2

1,100,000	1,100,000
2,500,000	2,500,000
-	65,924
3,600,000	3,665,924

5.1 Trading Right Entitlement Certificate (TREC)

Trading Right Entitlement Certificate (TREC)

Impairment - TREC

5.1.1

15,852,340	15,852,340
(13,352,340)	(13,352,340)
2,500,000	2,500,000

5.1.1 This represents TREC acquired on surrender of Stock Exchange membership Card. According to the Stock Exchanges (Corporatisation, Demutualization and Integration) Act 2012, the TRE Certificate may only be transferred once to a company intending to carry out shares brokerage business in the manner to be prescribed.

5.2 Computer Software

Opening

Additions

Accumulated Amortization

Closing

291,755	1,000
-	290,755
(291,755)	(128,907)
-	162,848

		2020 (Rupees)	2019 (Rupees)
6. INVESTMENT - AT FAIR VALUE THROUGH OCI			
Investment in shares of Pakistan Stock Exchange		<u>10,703,821</u>	<u>14,055,522</u>
6.1 This represents 1,081,94 (2019: 1,081,194) shares of Pakistan Stock Exchange Limited. This investment is pledge with PSX against Base Minimum Capital.			
7. LONG-TERM DEPOSITS			
Deposit in National Clearing Company		200,000	200,000
Deposit in Central Depository Company		100,000	100,000
Others		2,000	2,000
NCCPL Deposit		1,000,000	1,000,000
		<u>1,302,000</u>	<u>1,302,000</u>
8. TRADE DEBTS			
Trade debts		3,949,037	2,697,669
less: Loss allowance		(500,000)	(500,000)
		<u>3,449,037</u>	<u>2,197,669</u>
9. INVESTMENT AT FAIR VALUE THROUGH PROFIT AND LOSS			
Investment in quoted securities	9.1	10,283,457	16,815,297
Investment in Mutual funds	9.2	10,673,705	-
		<u>20,957,163</u>	<u>16,815,297</u>
9.1. Investment in various equity shares carried at market value. This includes investment pledge with PSX amounting to Rs.9,455,414 against Base Minimum Capital.			
9.2 Investment in MCB- Al hamra Mutual fund.			
10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposit in Pakistan Stock Exchange - Ready Market		24,700,000	35,853,007
Deposit in Pakistan Stock Exchange - Future Market		6,614,016	6,995,762
Tax refundable		9,091,277	8,035,770
BMC Deposit		900,000	-
Sales tax		49,038	-
Advance tax - net		-	1,022,412
Advance to staff		231,113	349,445
Prepaid takaful expense		74,080	78,831
		<u>41,659,524</u>	<u>52,335,227</u>

11. CASH AND BANK BALANCES	2020 (Rupees)	2019 (Rupees)
Cash in hand	18,400	5,230
Cash at bank - Current	24,947,124	24,505,306
Saving	-	-
	<u>24,965,524</u>	<u>24,510,536</u>

11.1 This includes bank balances pertaining to client amounting to Rs.15,430,155.

12. SHARE CAPITAL

12.1 Authorized Share Capital

2020 Number of Shares	2019 Number of Shares	2020	2019
<u>30,000,000</u>	<u>30,000,000</u>	<u>300,000,000</u>	<u>300,000,000</u>
		ordinary shares of Rs. 10 each	

12.2 Issued, Subscribed and Paid-up Capital

<u>7,043,499</u>	<u>7,043,499</u>	ordinary shares of Rs. 10 each fully paid in cash	<u>70,434,993</u>	<u>70,434,993</u>
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12.3 PATTERN OF SHAREHOLDING

	<u>Number of Shares</u>	<u>Holding Percentage</u>
1. Mr. Ashraf Bava (Director)	5,621,020	79.80%
2. Mr. Irshad ul Haq (Director)	5,000	0.07%
3. Mr. Nasir Muqet (Director)	172,302	2.45%
4. Mr. Muhammad Shakeel	1,245,177	17.68%
	<u>7,043,499</u>	<u>100.00%</u>

13. TRADE AND OTHER PAYABLE

Credit balances of clients	13.1.	15,416,759	20,149,878
Sales Tax Payable		-	47,326
Provident fund payable		226,196	250,264
Audit Fee Payable		14,400	200,000
Accrued Expenses		1,672,581	1,099,919
		<u>17,329,937</u>	<u>21,747,388</u>

		2020 (Rupees)	2019 (Rupees)
13.1	Credit balances of clients held by the company	15,416,759	20,149,878
13.2	No Securities of clients is pledged with Financial Institution.		
13.3	No Securities of the company is pledged with Financial Institution.		
14.	CONTINGENCIES AND COMMITMENTS	15.1	-
14.1.	There were no contingencies and commitments as at June 30, 2020		
15.	REVENUE FROM CONTRACT WITH CUSTOMERS		
	Brokerage income	15,343,394	9,746,536
15.1	Brokerage Income- gross	17,636,085	11,202,915
	Sales tax	(2,292,691)	(1,456,379)
		15,343,394	9,746,536
16.	OPERATING AND OTHER EXPENSES		
	Salaries, allowances and other benefits	11,800,035	14,830,262
	Communication	196,662	601,055
	Printing, stationary & periodicals	93,297	78,902
	Utilities	324,607	459,518
	Repair and maintenance	392,527	582,527
	Insurance Expense	-	159,568
	Bad Debts Expense	2,440	-
	Rent, rates and taxes	463,600	416,100
	Transaction Charges	1,728,873	1,415,670
	Entertainment	114,179	120,124
	Amortization	65,924	96,924
	Fees & subscription	137,868	111,523
	Auditor's remuneration	70,000	202,000
	Depreciation	982,648	1,105,047
	Donation	-	285,400
	Computer expense	584,738	192,000
	Miscellaneous	332,470	135,322
		17,289,867	20,791,942
17.	FINANCE COST		
	Markup on assets subject to finance lease	142,086	72,101
	Bank charges	19,989	13,339
		162,075	85,440

18. OTHER INCOME	2020 (Rupees)	2019 (Rupees)
Realized Gain/(Loss) Investment at fair value through P&L	346,822	550,678
Unrealized Gain/(Loss) Investment at fair value through P&L	(2,724,040)	(7,682,031)
Return on Deposit in PSX - Ready Market	3,083,521	1,715,536
Return on Bank Deposits	3,570	7,602
Gain/ (Loss) on Disposal	-	(13,479)
Other income	86,597	123,669
Dividend Income	995,598	303,398
	<u>1,792,067</u>	<u>(4,994,627)</u>

19. TAXATION

The Company has filed return for the tax year 2019. According to Income Tax Ordinance 2001, the return filed is deemed to be an assessment order unless modified by Commissioner of Income Tax.

Provision for taxation

- Current year	1,131,622	167,342
- Prior year	-	135,863
- Deferred	-	-
Net tax charge	<u>1,131,622</u>	<u>303,205</u>

19.1

19.1 The company's major income falls under minimum tax and final tax regime and therefore no deferred tax asset has been recognized.

20. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

20.1 Financial instrument by category

20.1.1 Financial assets

	2020			Total
	At fair value through profit or loss	At fair value through OCI	At amortized cost	
Long term loan, advances & deposits	-	-	1,302,000	1,302,000
Investment at fair value through OCI	-	10,703,821	-	10,703,821
Investment at fair value through P&L	20,957,163	-	-	20,957,163
Trade debts	-	-	3,449,037	3,449,037
Advances, deposits and prepayments	-	-	32,568,246	32,568,246
Bank balances	-	-	24,965,524	24,965,524
	<u>20,957,163</u>	<u>10,703,821</u>	<u>62,284,808</u>	<u>93,945,791</u>

	2019			Total
	At fair value through profit or loss	At fair value through OCI	At Amortized cost	
Long term loan, advances & deposits	-		1,302,000	1,302,000
Investment at fair value through OCI	-	14,055,522	-	14,055,522
Investment at fair value through P&L	16,815,297	-	-	16,815,297
Trade debts	-	-	2,197,669	-
Advances, deposits and prepayments	-	-	43,277,045	43,277,045
Bank balances	-	-	24,510,536	24,510,536
	16,815,297	14,055,522	71,287,251	99,960,400

20.1.2 Financial Liabilities at amortized cost

	2020	
	Amount	Total
Trade and other Payables	17,329,937	17,329,937
	17,329,937	17,329,937

	2019	
	Amount	Total
Trade and other Payables	21,747,388	21,747,388
	21,747,388	21,747,388

20.2 Financial risk management

The company primarily invests in marketable securities and are subject to varying degrees of risk.

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

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

20.2.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking in to 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.

Exposure to Credit risk

Credit risk of the company arises principally from the trade debts, investments, loans and advances, deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. The company allow to trade in fututre contracts after taking appropriate margins

Credit risk is minimised due to the fact that the company invest only in high quality financial assets, all transactions are settled/paid for upon delivery. The company doesnot expect to incur material credit losses on its financial assets. The maximum exposure to credit risk at the reporting date is as follows:

	2020	2019
	<i>Rupees</i>	
Long Term deposit	1,302,000	1,302,000
Investment at fair value through OCI	10,703,821	14,055,522
Investment at fair value through P&L	20,957,163	16,815,297
Advances, deposits prepayments and other receivable	31,545,129	43,277,045
Trade debts	3,449,037	2,197,669
Bank Balances	24,947,124	24,505,306
	<u>92,904,273</u>	<u>102,152,840</u>

20.2.1.2 Bank Balances

The Analysis below summarizes the credit quality of the company's bank balance:

	2020	2019
	<i>Rupees</i>	
AAA	334,390	2,480
AA+	6,873,183	21,598,202
AA-	226,196	250,264
A+	17,513,355	2,654,361
	<u>24,947,124</u>	<u>45,239,487</u>

The credit rating agency are PACRA and JCR-VIS.

20.2.2 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of business.

2020					
	carrying amount	contractual cash flows	up to one year	one to two years	Two to five years
Financial Liabilities					
Trade and other payables	17,329,937	17,329,937	17,329,937	-	-
	<u>17,329,937</u>	<u>17,329,937</u>	<u>17,329,937</u>		

2019					
	carrying amount	contractual cash flows	up to one year	one to two years	Two to five years
Financial Liabilities					
Trade and other payables	21,747,388	21,747,388	21,747,388	-	-
	<u>21,747,388</u>	<u>21,747,388</u>	<u>21,747,388</u>		

On the balance sheet date, the company has cash and bank balances of Rs.24.9 million (2019: 24.5 million) for repayment of liabilities.

20.2.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, management manages market risk by monitoring exposure on marketable securities by following the internal risk management and investment policies and guidelines.

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

Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Currently there is no currency risk as all financial assets and liabilities are in PKR.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk. The company is not exposed to interest rate risk as there is no interest based liability or asset.

Other price risk

Other price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of 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 factor affecting all or similar financial instrument traded in the market.

The company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The company manages the equity price through diversification and all instruments are made through surplus funds.

The company is exposed to other price risk on investment in listed shares. The company manages the risk through portfolio diversification, as per recommendation of Investment committee of the company. The committee regularly monitors the performance of investees and assess the financial performance on on-going basis.

The 10 percent increase/(decrease) in market value of these instruments with all other variables held constant impact on profit and loss account of the company is as follows:

	Before Tax	
	10% Increase	10% Decrease
as at 30th June 2020	2,095,716	(2,095,716)
as at 30th June 2019	<u>1,681,530</u>	<u>(1,681,530)</u>

20.3 Fair value of Financial instruments

The Carrying values of all financial assets and liabilities reflected in these financial statements approximate to their fair value. The company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

The company hold listed assets amounting to Rs 31.6 million (2019: 30.8 million) that are recorded at quoted price.

20.4 Capital risk management

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

21 CAPITAL ADEQUACY LEVEL

Total Assets	110,112,098	119,329,352
Less: Total Liabilities	(17,329,937)	(21,747,388)
Less: Revaluation Reserves	-	-
Capital Adequacy Level	<u>92,782,161</u>	<u>97,581,965</u>

While determining the value of total assets of TREC holder, the Notional value of the TREC held by Nael Capital (Private) Limited as at year ended 30th June 2020 determined by Pakistan Stock Exchange has been considered.

21.1 NET CAPITAL BALANCE AND LIQUID CAPITAL BALANCE

21.1.1 Net Capital Balance As At 30th June 2020

DESCRIPTION	VALUATION BASIS	VALUE
<u>CURRENT ASSETS</u>		
Cash in hand	As per book value	18,400
Cash at bank	Bank balances pertaining to house	9,516,969
	Bank balances pertaining to client	15,430,155
		24,947,124
Deposits against exposure and losses	As per book value	29,700,000
Investment in Mutual funds	As per Market value	10,673,705
Trade Receivable	Book Value	3,949,037
	Less: overdue for more than 14 days	(3,451,419)
		497,618
Investment in Listed Securities in the name of broker	Market value	828,044
	Less: 15% discount	(124,207)
		703,837
Securities purchased for client	Securities purchased for the client and held by the member where the payment has not been received within 14 days.	322,335
		66,863,019
<u>CURRENT LIABILITIES</u>		
Trade Payable	Book value	15,416,759
	Less: Overdue for more than 30 days	(11,429,644)
		3,987,115
Other liabilities	Overdue for more than 30 days	11,429,644
	As classified under the generally accepted accounting principles.	338,888
		11,768,533
<i>Net Capital Balance As At 30th June 2020</i>		51,107,371

21.1.2 Liquid Capital Balance As At 30th June 2020

S no.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustment	Net Adjusted Value
1.1	Property & Equipments	3,522,048.97	3,522,048.97	-
1.2	Intangible Assets	3,601,000	3,601,000	-
1.3	Investment in Govt. Securities	-	-	-
1.4	Investment in Debt Securities	-	-	-
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.	20,987,278	5,818,995	15,168,283
	ii. If unlisted, 100% of carrying value.	-	-	-
	iii. Subscription money against Investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.	-	-	-
	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	-	-	-
1.8	Statutory or regulatory deposit/basic deposits with exchanges, clearing house or central depository or any other entity.	2,200,000	2,200,000	-
1.9	margin deposit with exchange & clearing house	29,700,000	-	29,700,000
1.10	Deposit with authorized intermediary against borrowed securities under SLB	-	-	-
1.11	Other Deposits & Prepayments	74,080	74,080	-
1.12	Accrued Interest, profit or mark-up on amounts placed with financial institutions or debt securities	-	-	-
1.13	Dividend receivables	-	-	-
1.14	Amount receivable against Repo financing	-	-	-
1.15	Receivable other than trade receivable	9,660,556	9,660,556	-
1.16	Receivable from clearing house or securities exchange	-	-	-
1.17	Receivable from customers			
	i. In case receivables are against margin financing, the aggregate of (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. <i>i. Lower of net balance sheet value or value determined through adjustments.</i>	-	-	-
	ii. In case receivables are against margin trading, 5% of the net balance sheet value. <i>ii. Net amount after deducting haircut</i>	-	-	-
	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, <i>iii. Net amount after deducting haircut</i>	-	-	-
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. <i>iv. Balance sheet value</i>	227,169	-	227,169
	v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. <i>v. Lower of net balance sheet value or value determined through adjustments</i>	3,721,868	-	-
	<i>vi. 100% haircut in the case of amount receivable from related parties.</i>	-	-	-
1.18	Cash & bank Balances	35,639,229	-	35,639,229
1.19	Total Assets	109,333,229	-	80,734,681
2.	Liabilities			
2.1	Trade payables			
	i. Payable to exchanges and clearing house	-	-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	15,416,759	-	15,416,759
2.2	Current Liabilities			
	i. Statutory and regulatory dues	112,692	-	112,692

	ii. Accruals and other payables	226,196		226,196
	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	500,000	-	500,000
	viii. Provision for taxation	-	-	-
	ix. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.3	Non current liabilities			
	i. Long-Term financing	-	-	-
	a. Long-Term financing obtained from financial institution: Long term portion of financing obtained from a financial institution including amount due against finance lease	-	-	-
	b. Other long-term financing	-	-	-
	ii. Staff retirement benefits	-	-	-
	iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if:			
	a. The existing authorized share capital allows the proposed enhanced share capital			
	b. Board of Directors of the company has approved the increase in capital			
	c. Relevant Regulatory approvals have been obtained			
	d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed.			
	e. Auditor is satisfied that such advance is against the increase of capital.	-	-	-
	iv. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.4	Subordinated loans		-	
2.5	Total Liabilities	16,255,647	-	16,255,647
3. Ranking Liabilities relating to				
3.1	Concentration in margin financing	N/A	N/A	N/A
3.2	Concentration in securities lending & borrowing	N/A	N/A	N/A
3.3	Net underwriting Commitments	N/A	N/A	N/A
3.4	Negative equity of subsidiary	N/A	N/A	N/A
3.5	Foreign exchange agreements and foreign currency positions	N/A	N/A	N/A
3.6	Amount Payable under REPO	N/A	N/A	N/A
3.7	Repo adjustment	N/A	N/A	N/A
3.8	Concentrated proprietary positions	1,883,923.47	0	1,883,923.47
3.9	Opening positions in futures and options	N/A	N/A	N/A
3.10	Short sell positions	N/A	N/A	N/A
3.11	Total Ranking Liabilities	1,883,923.47		1,883,923.47

LIQUID CAPITAL

Adjusted value of Assets (1.19)	80,734,681
less: Adjusted value of liabilities(2.5)	16,255,647
less: Total ranking Liabilities(3.11)	1,883,923
	<u>62,595,110</u>

22. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Details of transactions and balances with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

	2020	2019
	Rupees	
Remuneration to Directors	5,150,400	5,700,000
Remuneration to Chief Executive Officer	1,896,000	2,100,000
	<u>7,046,400</u>	<u>7,800,000</u>

23. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

There were no significant impact on assets, liabilities, income and expenses of the company due to covid. Nor, it effects the company ability to continue as a going concern.

24. NUMBER OF EMPLOYEES

Number of employees

Total number of employees at 30 June

12

13

25. DATE OF AUTHORIZATION

02 OCT 2020

These financial statements have been authorized for issue on _____ by the Board of Directors of the company.

26. GENERAL

Figures have been rearranged and reclassified wherever necessary, for the purpose of comparison and have been rounded off to the nearest Rupee.



Chief Executive



Director