MANNOO CAPITAL (PRIVATE) LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED

JUNE 30, 2020

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants

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PrimeGlobal | An Association of Independent Accounting Frims

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MANNOO CAPITAL (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit and other comprehensive profit, 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 auditor's 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 scepticism 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.

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

Report on Other Legal and Regulatory Requirements

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

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

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

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

d) in our opinion, 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 **Ahsan Elahi Vohra - FCA**

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Naveed Zafar Ashfaq Jaffery & Co

Chartered Accountants

Dated : 06 OCT 2020

Karachi :

MANNOO 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	81,747	107,123
Intangible assets	5	2,500,475	2,500,678
Long term investment	6	-	14,012,274
Long term deposits	7	500,000	500,000
		3,082,222	17,120,075
Current assets			
Deposits and other receivables	8	14,500,000	-
Short term investments	9	8,953,740	35,687,285
Advance tax - net		2,642,453	2,540,950
Cash and bank balances	10	63,965,472	31,365,605
		90,061,665	69,593,840
Total assets		93,143,887	86,713,915
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
20,000,000 ordinary shares of Rs.10/- each		200,000,000	200,000,000
Issued, subscribed and paid up capital	11	94,013,000	94,013,000
Unappropriated profit		(1,003,210)	(18,838,444)
Unrealised gain on remeasurement of available for sale investments		-	11,381,511
		93,009,790	86,556,067
Current liabilities			
Accrued and other payables	12	134,097	157,848
Total equity and liabilties		93,143,887	86,713,915
Contingencies and commitments	13		

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

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Chief Executive **Director**

MANNOO CAPITAL (PRIVATE) LIMITED
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Operating revenue	14	3,042,946	1,609,640
Capital gain/(Loss)on sale of investments-net		15,478,975	(18,498,104)
Gain/(Loss) on remeaurement of investments- at fair value through profit or loss		219,448	(3,993,439)
		18,741,369	(20,881,903)
Operating and administrative expenses	15	(5,165,949)	(5,197,519)
Operating profit/(loss)		13,575,420	(26,079,421)
Finance cost	16	(2,825)	(1,793)
Other income	17	4,813,716	2,602,585
Profit /(Loss) before taxation		18,386,311	(23,478,629)
Taxation	18	(551,077)	(12,788)
Profit /(Loss) after taxation		17,835,234	(23,491,416)
Earning / (Loss) per share - basic and diluted	19	1.90	(2.50)

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

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Chief Executive

Director

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

	2020 Rupees	2019 Rupees
Profit /(Loss) for the year	**17,835,234**	**(23,491,416)**
Items that may be classified to profit and loss account		
Unrealised (loss) on re-measurement of 'available for sale' investments	**(11,381,511)**	**(7,341,308)**
Total comprehensive income/(loss) for the year	**6,453,723**	**(30,832,724)**

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

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Chief Executive

Director

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

	Issued, subscribed and paid up capital	Unappropriated profit	Re-measurement of 'available for sale' investments	Total
	--	-----------Rupees	--	
Balance as on June 30, 2018	94,013,000	4,652,972	18,722,819	117,388,791
Total comprehensive loss for the year for the year ended June 30, 2019	-	(23,491,416)	(7,341,308)	(30,832,724)
Balance as on June 30, 2019	**94,013,000**	**(18,838,444)**	**11,381,511**	**86,556,067**
Total comprehensive income for the year for the year ended June 30, 2020		17,835,234	(11,381,511)	6,453,723
Balance as on June 30, 2020	**94,013,000**	**(1,003,210)**	**-**	**93,009,790**

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

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Shmeer Alam
Chief Executive

Director

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

	2020 Rupees	2019 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	18,386,311	(23,478,629)
Adjustments for :		
Depreciation	25,376	35,178
Amortization of software	203	291
(Gain)/Loss on investment	(15,698,423)	22,491,543
Finance cost	2,825	1,793
	(15,670,018)	22,528,804
Operating profit/(loss) before Working Capital Changes	2,716,292	(949,825)
Working capital changes		
Decrease / (Increase) in current assets		
Deposits and other receivables	(14,500,000)	-
Decrease in current liabilities		
Accrued and other payables	(23,751)	(61,668)
Net cash (used) in operations	(11,807,458)	(1,011,493)
Finance cost paid	(2,825)	(1,793)
Tax paid	(652,579)	(849,658)
Net cash (used) in operating activities	(12,462,862)	(1,862,943)
CASH FLOW FROM INVESTING ACTIVITIES		
Short term investments sold/made	45,062,730	(3,334,988)
Net cash generated from/ (used) in) investing activities	45,062,730	(3,334,988)
Net increase/(decrease) in cash and cash equivalents during the year	32,599,867	(5,197,930)
Cash and cash equivalents at the beginning	31,365,605	36,563,535
Cash and cash equivalents at the end of the year	63,965,472	31,365,605

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

Amer Alam
Chief Executive

Director

1 STATUS AND NATURE OF BUSINESS

Mannoo Capital (Private) Limited (the Company) was incorporated in Karachi as a private limited company under the repealed Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on May 30, 2017) on October 17, 2005. The Company is a Trading Right Entitlement Certificate Holder of the Pakistan Stock Exchange Limited and is engaged in the business of Stock brokerage and investment. The address of registered office is Suite # 87, 2nd Floor, Stock Exchange Building, Stock Exchange Road, Karachi.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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 as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions of or directives issued under the Companies Act, 2017 shall prevail.

2.2 Basis of measurement

The financial statements have been prepared using an accrual basis of accounting except for cash flow statement which is prepared using cash basis.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Company and rounded off to nearest rupee.

2.4 Significant accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards 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, industry trends, legal and technical pronouncements and various other factors that are believed to be reasonable under the circumstances, the result 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 following:

(a) determination of the residual values and useful lives of property and equipments and intangible assets (note 3.1 & 3.2)
(b) classification of investments (note 3.3)
(c) current tax and deferred tax (note 3.7)

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Standards and amendments to published approved accounting and reporting standards that are not yet effective:

There is a new standard and certain amendments and an interpretation to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2020 . However, the standard, amendments and interpretation will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements.

INITIAL APPLICATION OF IFRS 16

An overview of the new lease accounting requirements for lessees

With effect from July 01, 2019, the Company has adopted the International Financial Reporting Standard (IFRS) 16 Leases which replaced the previous lease accounting requirements contained in IAS 17 Lèases, IFRIC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC Interpretation 15 Operating Leases— Incentives and SIC Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single on-balance sheet lease accounting model for lessees whereby, at the date of commencement of lease, a lessee is required to recognize a right-of -use asset and a lease liability (except in case short term leases and leases of low value assets). The right-of-use asset represents the lessee's right to use an underlying asset during the lease term and the corresponding lease liability represents the lessee's obligation to make payments to the lessor for providing the right to use that asset. In the IASB's view, this new lessee accounting model reflects the economics of a lease because, at the commencement date, a lessee obtains the right to use an underlying asset for a period of time, and the lessor had delivered that right by making the asset available for use by the lessee.

The aforesaid new accounting model materially differs from the previous lease accounting requirements for lessees risks and rewards incidental to ownership were substantially transferred to the lessee. Under the previous standard, at the commencement of the lease term, the lessee recognized finance leases as assets and liabilities in its statement of financial position. However, the lessee recognized the payments made under operating leases as an expense on a straight line basis over the lease term unless another systematic basis was more representative of the time pattern of the user's benefit.

Method of transition to the new lease accounting model

IFRS 16 specifies that a lessee shall apply the standard to its leases either retrospectively to each prior reporting period presented applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ('the full retrospective method') or retrospectively with the cumulative effect of initially applying the standard recognized as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application without restating comparative information ('the cumulative catch-up transition method').

As of the date of initial application (i.e. of July 01, 2019), the Company measured the right-of use asset and the related lease liability (arising from its rights under lease arrangements existing as of that date) as follows:

(a) As permitted under paragraph C8(b) of IFRS 16, the Company measured the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of related prepaid lease payments recognized in its statement of financial position as on June 30, 2019.

(b) The Company measured the lease liability at the present value of the remaining lease payments, discounted using its aforementioned incremental borrowing rate of 8.89% per annum as of July 01, 2019.

Accounting Policy With Respect To Subsequent Measurement Of The Right-Of-Use Asset And The Corresponding Lease

Right -of-use asset

After the commencement date, the Company measures the right-of-use asset applying a cost model whereby the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability.

The right-of-use asset is depreciated on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the lease transfers ownership of the that the Company will exercise a purchase option in which case the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset.

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Lease liability

After the commencement date, the Company measures the lease liability by:

(a) increasing the carrying amount to reflect interest on the lease liability;

(b) reducing the carrying amount to reflect the lease payments made; and

(c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies and methods of computation have been consistently applied to all the periods presented, unless otherwise stated.

3.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any;

Depreciation is charged on WDV of assets capitalized during the year considering the date of purchase and on disposals upto the month immediately preceding the disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized;

Gain and losses on disposal of fixed assets, if any, included in profit and loss account currently;

The Company reviews the useful lives and residual value of its assets on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge.

3.2 Intangible assets

An intangible asset is recognized as an asset if it is probable that the economic benefits attributable to the assets will flow to the company and cost of the asset can be measured reliably.

3.3 Investments

All investments are initially recognized at fair value, being the cost of the consideration given including transaction cost associated with the investment, except in case of held for trading investments, in which case the transaction costs are charged off to the profit and loss account.

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchase and sales are recognized at the trade date. Trade date is the date on which the Company commits to purchase or sale an asset.

The management determines the appropriate classification of the investment made by the Company in accordance with the requirements of International Accounting Standards (IAS) 39: 'Financial Instruments: Recognition and measurement at the time of purchase.

The Company classifies its investments in the following categories.

Financial assets' at fair vale through profit or loss-held for trading.

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in prices are classified as ' financial assets at fair value through profit or loss-held for trading'. Subsequent to initial recognition, these investments are marked-to-market and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these investments are taken to the profit and loss account.

Held to maturity investment

Investments with a fixed maturity where the Company has the intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any accumulated impairment losses.

Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for

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liquidity or changes in market prices, are classified as 'available-for-sale' Subsequent to initial measurement, available-for-sale' investments are re-measured to fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity. However, any premium or discount on acquisition of debt securities is amortized and taken to the profit and loss account over the life of the investment using the effective interest rate method. When securities are disposed of or impaired, the related fair value adjustments previously taken to equity are transferred to the profit and loss account.

Fair value for listed securities are the quoted prices on stock exchange on the date it is valued, Fair value of Term Finance Certificates, units of open end Mutual Funds and Government Securities are determined on the basis of rates notified by Mutual Fund Association of Pakistan for Term Finance Certificates, relevant redemption prices for the open-end Mutual Fund and quotations obtained from the PKRV sheets for Government Securities respectively. Unquoted securities are valued at cost.

3.4 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized on the following basis:

- Brokerage income is recognized as and when such services are provided.
- Interest income is recognized at effective yield on time proportion basis.
- Dividend income is recorded when the right to receive the dividend is established.
- Unrealized capital Gains / (losses) arising from mark to market of investments classified as at financial assets at fair value through profit or loss are included in profit and loss account - for the period in which they arise.

3.5 Trade debts

These are stated at net of provision for doubtful debts. Full provision is made against the debts considered doubtful.

3.6 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid investment that are convertible to known amounts of cash and are subject to insignificant risk of change in value, and short-term running finance under mark-up arrangements.

3.7 Taxation

The provision for current taxation is based on taxable income at the current rates of taxation. The company does not provide for deferred taxation as the timing differences are not likely to reverse in the foreseeable future.

3.8 Financial assets

3.8.1 Classification and initial measurement

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

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

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets at FVOCI

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

(a) 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

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that are solely payments of principal and interest on the principal amount outstanding; or

(b) 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 to at initial recognition.

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

(c) *Financial assets at FVTPL*

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

3.8.2 Subsequent measurement

(a) *Financial assets measured at amortized cost*

These assets are subsequently measured at amortized cost (determined using the effective interest method)

Interest / markup income, foreign exchange gains and losses and impairment losses arising from such financial

(b) *Financial assets at FVOCI*

These are subsequently measured at fair value less accumulated impairment losses.
A gain or loss on a financial asset measured at fair value through other comprehensive income in accordance is

(c) *Financial assets at FVTPL*

These assets are subsequently measured at fair value.

Net gains or losses arising from remeasurement of such financial assets as well as any interest income accruing

3.8.3 Impairment

The Comapany's only financial asset that is subject to the impairment requirements of IFRS 9 is trade receivables.
The Company applies the IFRS 9 'Simplified Approach' to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Company measures expected credit losses on trade receivables in a way that reflects an unbiased and probability-weighted amount, time value of money and reasonable and supportable information at the reporting date about the past events, current conditions and forecast of future economic conditions. The Company recognises 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.

3.8.4 De-recognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Modaraba has transferred substantially all risks and rewards of ownership.

3.9 Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit and loss account.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

3.10 Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount of the asset. 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, if no impairment loss had been recognized.

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4. PROPERTY AND EQUIPMENT

Particulars	Cost at July 1, 2019	Addition / Transfer	Cost at June 30, 2020	Accumulated depreciation at July 1, 2019	Depreciation for the year	Accumulated depreciation as at June 30,	Book value at june 30, 2020	Rate of depreciation (%)
Furniture and fixtures	65,900		65,900	41,409	2,449	43,858	22,042	10%
Office equipments	11,500		11,500	2,185	932	3,117	8,384	10%
Computer and accessories	473,168		473,168	399,851	21,995	421,846	51,322	30%
June 30,2020	**550,568**	**-**	**550,568**	**443,445**	**25,376**	**468,821**	**81,747**	
June 30,2019	550,568	-	550,568	408,267	35,178	443,445	107,123	

	Note	2020 Rupees	2019 Rupees
5. INTANGIBLE ASSETS			
Trading Right Entitlement Certificate (TREC)	5.1	**2,500,000**	2,500,000
Computer software	5.2	**475**	678
		2,500,475	2,500,678

5.1 MOVEMENT IN TRADING RIGHT ENTILEMENT CERTIFICATE

	Note	2020 Rupees	2019 Rupees
Opening carrying value	5.1.1	**2,500,000**	9,998,616
Impairment in the value of TREC		**-**	(7,498,616)
		2,500,000	2,500,000

5.1.1 Under the Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012 (the Act), the Company has received a Trading Right entitlement Certificate (TREC) in lieu of its membership cards of Karachi Stock Exchange.

During the year PSX directed all TRE holders through its letter dated November 10, 2017 to revise the value of its TREC to 2.5 million for the purpose of Base Minimum Capital requirement.

5.2 Computer software

Particulars	Cost at July 1, 2019	Addition / Transfer	Cost at June 30, 2020	Accumulated Amortization at July 1, 2019	Amortization for the year	Accumulated Amortization as at June 30,	Book value at June 30, 2020	Rate of Amortization (%)
Software	34,300	-	34,300	33,622	203	33,825	475	30
June 30,2020	**34,300**	**-**	**34,300**	**33,622**	**203**	**33,825**	**475**	
June 30,2019	34,300	-	34,300	33,331	291	33,622	678	

6 LONG TERM INVESTMENT

Pakistan Stock Exchange Limited

	Note	2020	2019
'Available for sale' investments	6.1	-	21,353,582

6.1

2020 (No. of shares)	2019 (No. of shares)		Note	2020 Rupees	2019 Rupees
1,081,194	1,602,953	Opening balance		**14,012,274**	21,353,582
-	-	Unrealized (loss)/gain for the year		**(11,381,511)**	(7,341,308)
(1,081,194)	(521,759)	Sold		**(2,630,763)**	-
-	**1,081,194**			-	14,012,274

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7. LONG TERM DEPOSITS

National Clearing Company of Pakistan Limited		200,000	200,000
Pakistan Stock Exchange Limited		200,000	200,000
Central Depository Company of Pakistan Limited		100,000	100,000
		500,000	500,000

8 DEPOSITS AND OTHER RECEIVABLES

Deposit against Base Minimum Capital	**8.1**	**14,500,000**	-
		14,500,000	-

8.1 This represents deposit with Pakistan Stock Exchange Limited against the Base Minimum Capital requirement.

9 SHORT TERM INVESTMENTS - at fair value through profit or loss 'Held for trading'

Quoted equity securities		**8,953,740**	·35,687,285

10 CASH AND BANK BALANCES

Cash in hand		**125,001**	125,000
Cash at banks			
- in current accounts		**606,241**	838,084
- in deposit accounts	**10.1**	**63,234,231**	30,402,520
		63,840,471	31,240,604
		63,965,472	31,365,605

10.1 The markup received on deposit accounts is in the range between 5% to 8%.

11 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number of shares				
2020	2019		**2020 Rupees**	2019 Rupees
401,300	401,300	Ordinary shares of Rs. 10/- each issued for cash	**4,013,000**	4,013,000
9,000,000	9,000,000	Ordinary shares of Rs. 10/- each issued for other than cash	**90,000,000**	90,000,000
9,401,300	**9,401,300**		**94,013,000**	94,013,000

12 Accrued and other payables

Accrued expenses	**122,504**	157,000
Sindh sales tax Payable	**11,593**	848
	134,097	157,848

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as on the balance sheet date (2019 :Nil).

14 Operating Revenue

Commission income	**1,253,947**	1,023,015
Dividend Income	**1,788,999**	586,625
	3,042,946	1,609,640

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		Note	2020 Rupees	2019 Rupees
15	**OPERATING AND ADMINISTRATIVE EXPENSES**			
	Directors' remuneration		**2,388,000**	2,988,000
	Staff salaries		**1,497,600**	859,950
	PSX charges		**115,641**	110,775
	CDC charges		**102,804**	118,103
	SECP charges		**64,776**	16,051
	Electricity		**70,451**	104,489
	Telephone and mobile		**126,484**	140,648
	Service charges		**288,854**	242,174
	Auditors' remuneration	**15.1**	**100,000**	100,000
	Software maintenance		**227,260**	224,960
	Professional tax		**-**	100,900
	Miscellaneous expenses		**38,500**	156,000
	Amortization of software		**203**	291
	Donation		**120,000**	-
	Depreciation		**25,376**	35,178
			5,165,949	5,197,519
15.1	**Auditor Remuneration**			
	Audit fee		**50,000**	50,000
	Other certifications		**50,000**	50,000
			100,000	100,000
16	**FINANCE COST**			
	Bank charges		**2,825**	1,793
17	**Other Income**			
	Profit on cash margin		**539,019**	338,307
	Bank profit		**3,579,029**	2,110,989
	Interest income on BMC deposit		**695,668**	-
	Charges recovered		**-**	153,290
			4,813,716	2,602,585
18	**TAXATION**			
	Current		**551,077**	12,788
			551,077	12,788

18.1 The income tax assessments of the Company have been finalised up to and including the tax year 2019.Tax returns are deemed to be assessed under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select the deemed assessment order for audit.

		Note	2020 Rupees	2019 Rupees
19	**EARNING /(LOSS) PER SHARE** - *Basic and diluted*			
	Profit /(Loss)after taxation		**17,835,234**	(23,491,416)
	Weighted average number of ordinary shares	(No. of shares)	**9,401,300**	9,401,300
	Earning / (Loss) per share		**1.90**	(2.50)
20	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances		**63,965,472**	31,365,605

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21 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTOR

	Chief Executive		Director	
	2020	2019	**2020**	2019
Managerial remuneration	**1,788,000**	504,840	**600,000**	402,340
	1,788,000	504,840	**600,000**	402,340
No. of person	1	1	1	1

22 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk, liquidity risk and off balance sheet risk. The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

22.1 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 prices of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and regulations laid down by the Karachi Stock Exchange.

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

22.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present is not exposed to currency risk as all the transactions of the Company are denominated in Pak Rupees.

22.1.2 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 interest rates. At the balance sheet date the interest rate profile of the company's interest bearing financial instruments was as follows:

Bank balances in profit and loss sharing accounts	10	63,234,231	30,402,520

22.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company was exposed to listed and quoted securities price risk because of investments held by the Company and classified on the balance sheet as at fair value through profit or loss. To manage its price risk arising from investments the Company mainly invests in mutual funds and listed shares and maintains diversified portfolio.

22.2 Credit risk

The Company is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises from trade debts, investments and deposits with banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit rating. To manage exposure to credit risk on its investments, the Company manages a portfolio of investments which consists of securities issued by the Government and reputable entities. To secure against the risk of default from debtors, the Company obtains collateral from its customers. The maximum exposure to credit risk is equal to the carrying amounts of financial assets less the amount of collaterals held.

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Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at June 30, 2020 is the carrying amount of the financial assets. The maximum exposure to credit risk at reporting date is:

	Note	2020 Rupees	2019 Rupees
Long term deposits	7	500,000	500,000
Deposits and other receivables	8	14,500,000	-
Short term investments	9	8,953,740	35,687,285
Cash and bank balances	10	63,965,472	31,365,605

22.3 **Liquidity risk**

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Company's liquidity management involves projecting cash flows and maintaining level of liquid assets necessary to meet these risks.

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

	Note	June 30, 2020				June 30, 2019			
		Total	Upto Three Months	More Than	More Than	Total	Upto Three Months	More Than	More Than
		---Rupees---							
Accrued and other payables	12	134,097	134,097	-	-	157,848	157,848	-	-
Total		134,097	134,097	-	-	157,848	157,848	-	-

22.4 **Capital management**

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structure in order to ensure ample availability of finance for its existing operations, for maximizing shareholder's value, for tapping potential investment opportunities and to reduce cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The Company finances its operations through equity, borrowing and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

23 **FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISKS**

The Company purchases and sells securities as either principal or agents on behalf of its customers. If either the customer or a counterparty fails to perform, the Company may be required to discharge the obligation on behalf of the non-performing party. In such circumstances, the Company may sustain a loss if the market value of the security is different from the contracted value of the transaction less any margin deposits that the Company has on hand. Where the customer operates through institutional delivery system, the Company is not exposed to this risk.

The majority of the Company's transactions, and consequently, the concentration of its credit exposure are with the customers and other financial institutions in case of money market brokerage. The Company seeks to control its credit risk through a variety of reporting and controls procedures, including establishing credit limits based upon a review of the counterparties' financial condition. The Company monitors collateral levels on a regular basis and requests changes in collateral level as appropriate or if considered necessary.

24 **CAPITAL MANAGEMENT**

24.1 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 and to maintain an optimal capital structure.

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The Capital adequacy level as required by CDC is calculated as follows:

	2020 Rupees	2019 Rupees
Total assets	93,143,887	86,713,915
Total liabilities	(134,097)	(157,848)
Total Revaluation Reserves (created upon revaluation of fixed assets)	-	-
Capital adequacy level	93,009,790	86,556,067

While determining the value of the total assets of the TREC holder, notional value of the TRE certificate as at year ended as determined by Pakistan Stock Limited has been considered.

24.2 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 BASIS	VALUE -2020- (Amount in Rupees)	
CURRENT ASSETS			
Cash in hand	As per book value	125,001	
Cash at bank:			
- Pertaining to brokerage house	As per book value	63,840,471	
- Pertaining to clients	As per book value	-	
- Deposit against exposure and losses with Pakistan Stock Exchange		-	
Total bank balances			63,965,472
Trade Receivable			
	Book Value	-	
	Less: overdue for more than 14 days	-	-
Investment in Listed Securities in the name of broker			
	Market value	8,953,740	
	Less: 15% discount	(1,343,061)	7,610,679
Securities purchased for client	Securities purchased for the client and held by the member where the payment has not been received within 14 days.	-	-
Listed Term Finance Certificates/Corporate Bonds	Market value		
(Not less than BBB grade)	Less: 10% discount	-	-
Federal Investment Bonds	Market value	-	
	Less: 5% discount	-	-
Treasury bills	Market value		
			71,576,151
CURRENT LIABILITIES			
Trade Payable	Book value	-	
	Less: Overdue for more than 30 days	-	-
Other liabilities	As classified under the generally accepted		134,097
Trade payables overdue by 30 days			-
			134,097
NET CAPITAL AS AT JUNE 30, 2020			71,442,054

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