AUDITED FINANCIAL STATEMENTS
OF
ARIF HABIB 1857 (PRIVATE) LIMITED
FOR THE YEAR ENDED
JUNE 30, 2020

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
KARACHI, LAHORE & ISLAMABAD

ARIF HABIB

Directors Report

On behalf of the Board of Directors of Arlf Habib 1857 (Pvt.) Limited, I am pleased to present the Annual Report of the company for the year 2019-20 together with the audited financial statements of the year as per the accounting, regulatory and legal standards/requirements.

Nature of Business

Arif Habib 1857 (Pvt.) Ltd. is a Private limited Company incorporated on July 08, 2014. It is owned 100% by Arif Habib Limited. The company is engaged in providing equity brokerage services (including research).

Business Environment

With the unprecedented onset of pandemic Covid-19 taking over the world in FY20, the global economy slid into recession with overall economic growth shrinking 4.9 percent this year; a sharper contraction than the 3 percent predicted earlier by IMF. Pakistan was no exception, with GDP shrinking by 0.38% as compared to 3.3% growth recorded a year earlier. Only the agriculture sector showed positive growth of 2.7% during the year while manufacturing and services sector marked a negative growth of 5.6% and 0.6%, respectively. Large scale manufacturing contracted 10.2% in FY20 largely due to significant decline in textile, food, beverages and tobacco, coke and petroleum products, pharmaceuticals, automobiles, iron and steel products and electronics.

Real GDP Growth

On the fiscal front, deficit clocked in at 8.1% of GDP (PKR 3.4 trillion) in FY20 compared to PKR 3.4 trillion recorded in FY19, 8.9 % of GDP. This was despite a 2.5% decline in the total expenditure (PKR 8,135 Billion) and 12.3% YoY increase in total revenue of PKR 5,504 billion in FY20.

ARIF HABIB 1857 (PVT.) LTD. KARACHI

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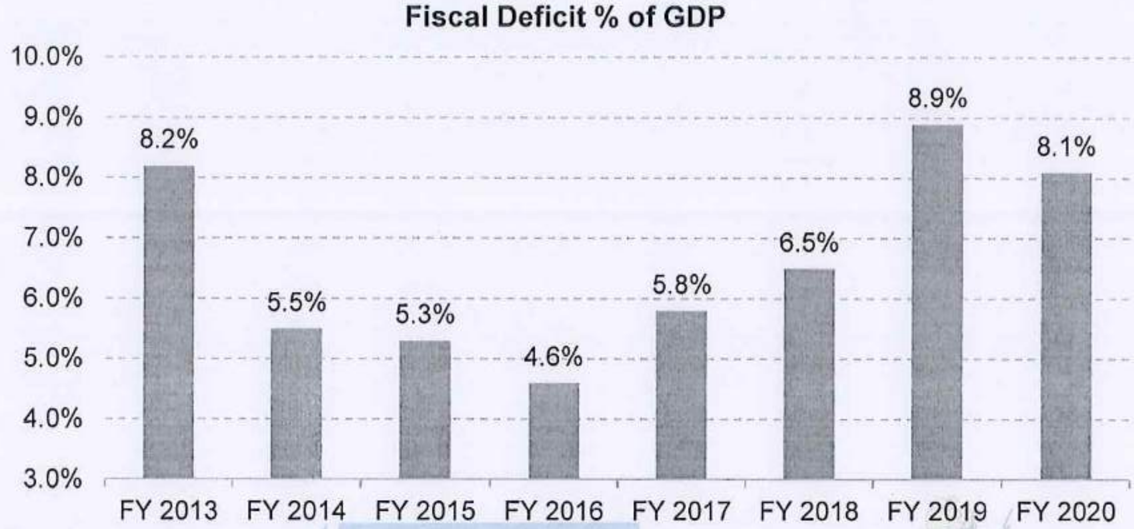
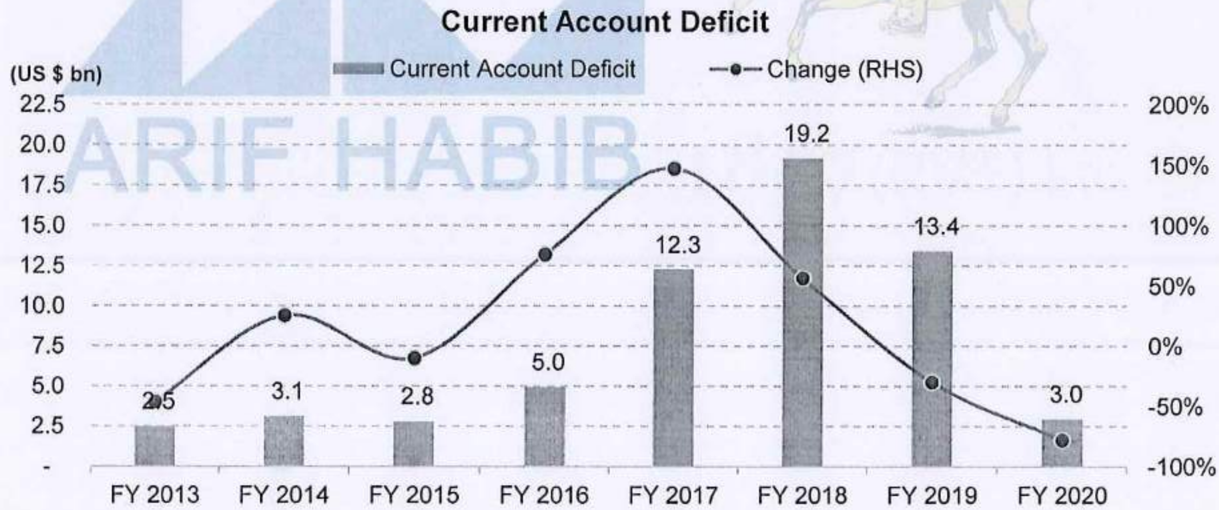
Ph: (92-21) 32460717-9 Fax: 32429653



However, on the external front, despite global trade being affected by Covid-19, Pakistan was able to bring down the Current Account Deficit to 1.1% of GDP (USD 2.97 Billion) from previous year's 4.8% (USD 13.4 Billion). This significant relief was due to measures taken by the government to restrict import of certain commodities and dip in global oil prices, resulting in a 19.3% YoY decline in overall import bill (including goods and services). Furthermore, remittances also supported the external sector, registering a growth of 6.3% YoY to USD 23.1 billion, with highest inflows coming in from KSA followed by USA.



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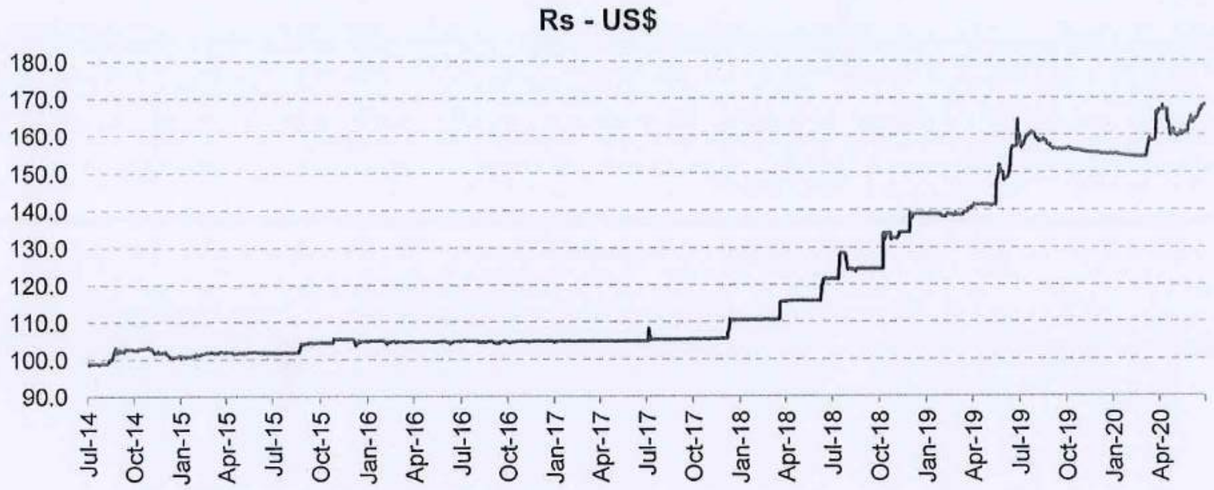

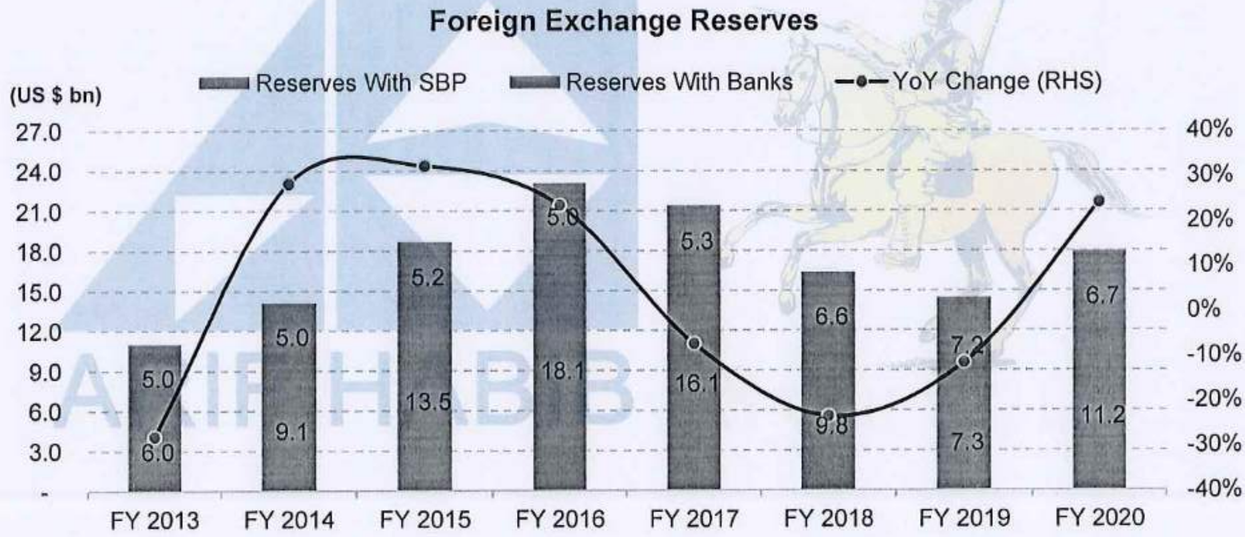

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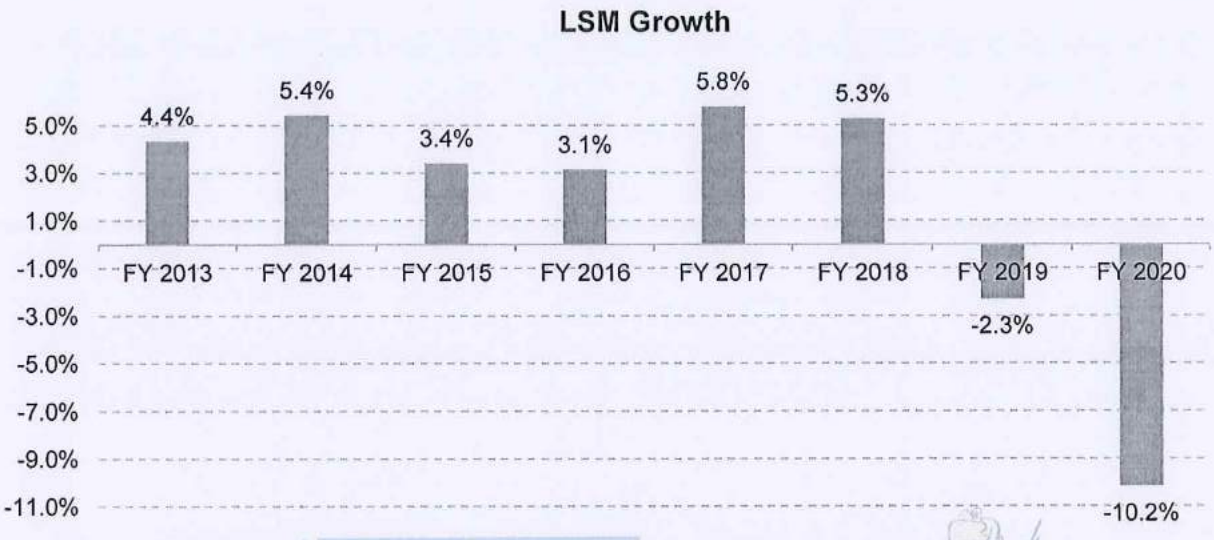

The overall reserve position of Pakistan was supported by USD 13.2 billion worth of gross loans from bilateral and multilateral lenders including the International Monetary Fund (IMF). As at June 2020, the overall reserves stood at USD 18.0 Billion, 24.1% up from USD 14.4 Billion recorded at June 2019 close. Moreover, post adoption of market determined exchange rate by the SBP, PKR witnessed a devaluation of 4.8% against the greenback, during the year FY20. The average inflation in the FY20 increased to 10.74% YoY against the target of 8.5% set by the government, primarily due to double digit food inflation and upward revision in utility prices. Despite higher inflation, SBP cut policy rates by 625bps in the latter half of the FY20 as special times (i.e. Covid-19) called for special measures in order to provide relief to the overall economy.

As economies across the globe return to normalcy, we expect a revival of economic activities in our country too. We expect Pakistan to post a growth of 2% in FY21, with significant reliance on agriculture sector of the economy. We foresee CAD to slightly go up to 1.7% of the GDP as Covid-19 continues to affect the trade across the globe along with subdued growth in the remittances. On the fiscal end, deficit is likely to remain at the same level of 7.0% of GDP as witnessed last year. Moreover, any further devaluation along with IMF conditions of utility price hikes will most likely cause inflation to post an average rise of 7.5% YoY.

Stock Market

FY20 saw double dips of KSE100 towards 28K level, first being in August 2019 and the second time near the end of March 2020. The losses sustained by the Index were a combined result of Pakistan's macro-economic situation, which worsened gradually due to late entry in IMF Program, and also because of Covid-19 pandemic that brought World markets down. Nonetheless, the leading indicators that stand today are markedly different from where they stood at the start of the fiscal year.

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Improving Balance of Payment position, low Interest rates, increasing foreign remittances and gradual recovery from Covid-19 have started turning the tide now and had helped the benchmark Index post a recovery of 7,193pts in 4Q-FY20. 4Q-FY20 saw an overall increase of 5,190pts in the Index, which was mainly contributed by E&P sector (1218pts), Fertilizer (+799pts), Cement (+729pts), O&GMCs (+374pts) and Pharmaceuticals (+336pts).

Current Account Balance showed negative monthly sum throughout the year with the exception of May 2020, when the trade balance showed a surplus. Gradual resumption of business activities following recovery from Covid-19 has helped improvement in business confidence. Similarly, State Bank of Pakistan has followed global Central Banks in cutting interest rates in the wake of declining Inflation and have brought the Policy rate from 13.25% to 7%. Following the Policy rate, 6M Kibor has also come down from 14% at the beginning of FY20 to 7.2% by end FY20. This has relieved the already stressed Corporate sector off the burdening financial charges at one hand and has also made Equities as the preferred asset class in comparison with fixed income instruments. Foreign remittances have also started improving in recent months, whereby June 2020 posted the highest ever monthly foreign remittances of US$ 2.5mn taking the total for FY20 to US$ 23.1mn (FY19: US21.7mn).

Regardless of a highly volatile trading year, where the benchmark Index went up and down since the beginning, overall FY20 could add only 520pts over FY19 to close the fiscal at 34,421pts. Sectors that contributed positively during FY20 include Fertilizer (+1075pts), Cement (+952pts), Pharmaceuticals (+397pts), Technology (+295pts) and Textile (+121pts). On the other hand, Banking sector led the lagging sectors with (-1400pts), followed by Tobacco (-365pts), E&P (-360pts), Power (-359pts) and O&GMCs (-137pts).

Volumes traded on the Exchange have also seen volatility from posting a low of 39.5mn shares in 1Q-FY20, to crossing 500mn volumes in the month of December 2019. The ADTV registered growth from PKR 6.4bn in FY19 to PKR 7.2bn in FY20. FY20 saw a couple of instances where ADTV crossed US$100mn and seeing consistency post FY20. During FY20, foreigners maintained selling stance from yesteryears and took out US$ 284.8mn on net basis. Besides foreign investors, Banks, Mutual Funds and Brokers remained net sellers of US$ 55.4mn, US$ 50.2mn and US$ 13.3mn respectively. These outflows have largely been absorbed by Individuals by investing US$ 213.2mn, followed by Insurance Sector US$

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127.6mn, Other Organizations US$ 31.6mn, Companies US$ 26.8mn and Non-Banking Finance Companies US$ 4.5mn.

Financial Performance

During the year under review, the Company posted profit after tax of Rs. 2,393,248. The profit posted during the year mainly relates to the exposure deposits, bank deposits and investment in TFCs.

Board Meetings and Attendance

During the year under review, four meetings of the Board of Directors were held from July 01, 2019 to June 30, 2020. The attendance of the Board and Audit Committee members was as follows:

Name of Director	Board Meeting
Mr. Abdullah A. Rehman	4
Mr. Abdul Hameed	4

Future Prospects

The future prospects of your Company are thoroughly promising on account of the Management's efforts towards executing trades in prop account.

The Management is confident that the Company's investments will demonstrate lucrative results, as the economy and the market continues to offer rewarding investment opportunities.

Auditors

The retiring auditors M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants have offered themselves for reappointment. The Board recommends their reappointment. A resolution proposing the appointment of M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants as auditors of the company for the financial year 2019-20 will be submitted at the forthcoming Annual General Meeting for approval.

Acknowledgement

We are grateful to the Company's stockholders for their continuing confidence and patronage. We record our appreciation and thanks to our customers, stakeholders, parent company, the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and the managements of Pakistan Stock Exchange Limited for their continuing support and guidance without whose continued support and guidance, we would not be able to pursue our strategy. We acknowledge and appreciate the hard work put in by the employees of the Company during the period.

For and on behalf of the Board of Directors

ARIF HABIB 1857 (PVT.) LTD. KARACHI

Abdullah A. Rehman
Chief Executive Officer and Director

Date: July 29, 2020
Karachi.

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Russell Bedford

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the members of Arif Habib 1857 (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Arif Habib 1857 (Private) Limited** (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss account, 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 ('the financial statements'), 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 account, 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 loss and other comprehensive loss, 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 / 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.

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

Management is responsible for the other information. The other information comprises the information in the annual report including, in particular, the Chairman's Review, Director's Report, Financial and Business Highlights, Graphical Representation and Horizontal and Vertical Analysis of Financial Statements, 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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Other Offices at
Lahore - Rawalpindi / Islamabad

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.

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- 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 (XIX of 2017);

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

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

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), and

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

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

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Karachi

Date: 29 JUL 2020

ARIF HABIB 1857 (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020	2019
		Rupees	
ASSETS			
Non - current assets			
Intangible assets	4	**2,500,000**	2,500,000
Long term deposits	5	**16,507,500**	16,507,500
		19,007,500	19,007,500
Current assets			
Security deposit		**1,121,470**	-
Advance tax		**2,873**	2,873
Other receivables		-	747
Short term investment	6	**23,640,000**	-
Cash & bank balances	7	**2,069,644**	24,203,562
		26,833,987	24,207,182
Total assets		**45,841,487**	43,214,682
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital	8	**100,000,000**	100,000,000
Issued, subscribed & paid-up capital	8	**50,000,000**	50,000,000
Revenue reserve			
Accumulated losses		**(4,800,665)**	(7,193,913)
		45,199,335	42,806,087
Current liabilities			
Taxes payable		**462,152**	288,595
Other liabilities	9	**180,000**	120,000
		642,152	408,595
Total equity and liabilities		**45,841,487**	43,214,682

The annexed notes from 1 to 17 form an integral part of these financial statements.

Chief Executive

Director

ARIF HABIB 1857 (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		Rupees	
Operating revenue		**10,050**	8,465
Capital gain on sale of investments - net		**-**	4,629,345
		10,050	4,637,810
Less: Expenses			
Fees paid to PSX & SECP		**146,566**	594,677
Impairment loss on trading right entitlement certificate	*4.1*	**-**	7,000,000
Professional charges		**-**	12,000
Internet expenses		**151,400**	143,400
Unrealized loss on short term investment	*6.2*	**988,892**	-
Audit fees		**60,000**	60,000
CDC charges		**57,237**	56,519
Legal expenses		**60,000**	100,000
Bank charges		**-**	2,094
		1,464,095	7,968,690
Other income	*10*	**4,562,159**	1,542,077
Profit / (Loss) before taxation		**3,108,114**	(1,788,803)
Less: Provision for taxation		**(714,866)**	(4,077,683)
Profit / (Loss) after taxation		**2,393,248**	(5,866,486)

The annexed notes from 1 to 17 form an integral part of these financial statements.

ARIF HABIB 1857 (PVT.) LTD. KARACHI

Chief Executive

Director

ARIF HABIB 1857 (PRIVATE) LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	Rupees	
Profit / (loss) after taxation	**2,393,248**	(5,866,486)
Other comprehensive income	-	-
Total comprehensive income/ (loss) for the year	**2,393,248**	(5,866,486)

The annexed notes from 1 to 17 form an integral part of these financial statements.

Chief Executive

ARIF HABIB 1857 (PVT.) LTD. KARACHI

Director

ARIF HABIB 1857 (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	Issued, subscribed & paid up capital	Revenue Reserve Accumulated losses	Total
	Rupees		
Balance as at June 30, 2018	50,000,000	(1,327,427)	48,672,573
Total comprehensive loss for the year ended 30 June 2019	-	(5,866,486)	(5,866,486)
Balance as at June 30, 2019	50,000,000	(7,193,913)	42,806,087
Total comprehensive income for the year ended 30 June 2020	-	**2,393,248**	**2,393,248**
Balance as at June 30, 2020	**50,000,000**	**(4,800,665)**	**45,199,335**

The annexed notes from 1 to 17 form an integral part of these financial statements.

Chief Executive

Director

ARIF HABIB 1857 (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/ (loss) before taxation		3,108,114	(1,788,803)
Adjustment for:			
- Impairment loss on trading right entitlement certificate	4	-	7,000,000
- Loss on remeasurement of short term investment	6.2	988,892	-
Cash generated from operating activities before working capital changes		4,097,006	5,211,197
Effect on cash flows due to working capital changes			
(Increase)/decrease in current assets			
- Short term Investment		(24,628,892)	-
- Other receivables		747	43,997
- Security deposit		(1,121,470)	-
Increase/(decrease) in current liabilities			
- Other liabilities	9	60,000	-
Cash generated from/ (used in) operating activities		(21,592,609)	5,255,194
Income tax paid		(541,309)	(3,789,087)
Net cash generated from/ (used in) operating activities		(22,133,918)	1,466,107
Net increase/ (decrease) in cash and cash equivalents		(22,133,918)	1,466,107
Cash and cash equivalents at the beginning of the year		24,203,562	22,737,455
Cash and cash equivalents at the end of the year	7	2,069,644	24,203,562

The annexed notes from 1 to 17 form an integral part of these financial statements.

Chief Executive

ARIF HABIB 1857 (PVT.) LTD. KARACHI

Director

ARIF HABIB 1857 (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1 STATUS AND NATURE OF BUSINESS

Arif Habib 1857 (Private) Limited was incorporated on 17 July 2014 as a private limited company in Pakistan under the repealed Companies Ordinance, 1984 ('the Ordinance') which has now been replaced by Companies Act, 2017 ('the Act'). The registered office of the Company is located at Arif Habib Center, 23 M.T.Khan Road, Karachi, The principal activities of the Company are investments and share brokerage. The Company is a wholly owned Subsidiary Company of Arif Habib Limited. The Company has purchased Trading Right Entitlement Certificate [TREC] from independent party. The principal activities include trading and brokerage for equities.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with accounting and reporting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

2.5 New Accounting Pronouncements

2.5.1 *Amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2020*

During the year, certain new accounting and reporting standards / amendments / interpretations became effective and applicable to the Company. However, since such updates were not considered to be relevant to the Company's financial reporting, the same have not been disclosed here.

2.5.2 *New / revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective*

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after the date specified below;

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 01, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The application of the amendment is not likely to have an impact on the Company's financial statements.

- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards. The amendments are not likely to affect the financial statements of the Company.

- Interest rate benchmark reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has, in turn, led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

  a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

  b. any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

  c. there is no substantive change to the other terms and conditions of the lease.

  The above amendments are not likely to affect the financial statements of the Company.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The amendments are not likely to affect the financial statements of the Company.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are not likely to affect the financial statements of the Company.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after January 01, 2022 clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are not likely to affect the financial statements of the Company.

2.5.3 *Annual Improvements to IFRS standards 2018-2020:*

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments are not likely to affect the financial statements of the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Intangible assets

3.1.1 *Membership cards and offices*

This is stated at cost less impairment, if any. The carrying amount is reviewed at each reporting date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

3.2 Financial instruments

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

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

(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:

(i) 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 amount outstanding; or

(ii) 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 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.

3.2.2 *Initial recognition*

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

Regular way purchase of investments are recognized using settlement date accounting i.e. on the date on which settlement of the 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.

3.2.3 *Subsequent measurement*

(a) Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost (determined using the effective interest 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 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 is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised 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 in whose case the cumulative gain or loss previously recognized in other comprehensive income is not so reclassified). Interest is calculated using the effective interest method and is recognised in profit or loss.

(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 thereon are recognized in profit and loss account.

3.3 Offsetting financial instruments

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 transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.4 Other receivables

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

3.5 Cash and cash equivalents

Cash and cash equivalent are carried in the statement of financial position at amortized cost. For the purpose of cash flow statement cash and cash equivalents comprise cash and bank balances.

3.6 Other payables

Other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method.

3.7 Taxation

Income tax expense comprises current and deferred tax.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using tax rates enacted or substantially enacted at the reporting date and after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

3.8 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.9 Revenue recognition

Revenue from trading activities - brokerage

Commission revenue from trading of securities is recegnized when the performance obligation is satisfied, being when transaction is settled by the clearing house and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Broker's bills are also generated at that point in time.

A receivable is recognized when the transaction is settled by the clearing house as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company does not expect to have contracts where the period between the services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Mark up / interest income

Mark-up / interest income is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

		Note	2020	2019
4	**INTANGIBLE ASSETS**		Rupees	
	Trading Rights Entitlement (TRE) Certificate			
	Cost		**2,500,000**	9,500,000
	Impairment	*4.1*	**-**	(7,000,000)
			2,500,000	2,500,000

4.1 This represents Trading right entitlement certificate received by the Company in accordance with the Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012. These have been carried at cost less impairment.

5 LONG TERM DEPOSITS

This represents deposits placed with Pakistan Stock Exchange Limited for trading activities.

		Note	2020	2019
6	**SHORT TERM INVESTMENTS**		Rupees	
	Equity securities at FVTPL		**-**	-
	Corporate debt securities - at FVTPL	*6.1*	**23,640,000**	-
			23,640,000	-

6.1 This represents Term Finance Certificates of Habib Bank limited under market making arrangement.

		2020	2019
6.2	**Reconciliation of gain / (loss) on remeasurement of equity investments at FVTPL**	Rupees	
	Cost of investment	24,628,892	-
	Unrealised (loss) gain:		
	Balance as at July 01	**-**	-
	Unrealised gain / (loss) for the year	**(988,892)**	-
		(988,892)	-
	Balance as at June 30	**23,640,000**	-

7	**CASH AND BANK BALANCES**	*Note*	**2020**	2019
			Rupees	
	Cash at bank			
	- current accounts		**2,429**	2,429
	- savings accounts	*7.1*	**2,067,215**	24,201,133
			2,069,644	24,203,562

7.1 The return on these balances is 9% to 11% (2019: 9% to 10.5%) per annum on daily product basis.

8 AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2020	2019		2020	2019
----(Number of shares)----			Rupees	
		Authorized capital		
10,000,000	10,000,000	Ordinary shares of Rs. 10/- each	**100,000,000**	100,000,000
		Issued, Subscribed and Paid up Capital		
		Ordinary shares of Rs.10/- each		
5,000,000	5,000,000	For Cash	**50,000,000**	50,000,000
5,000,000	5,000,000		**50,000,000**	50,000,000

8.1 There is no agreement among shareholders for voting rights, board selection, rights of first refusal, and block voting.

		2020	2019
9	**OTHER LIABILITIES**	**Rupees**	
	Audit fee	**120,000**	60,000
	Legal fee	**60,000**	60,000
		180,000	120,000

10	**OTHER INCOME**		
	Profit on savings accounts	**1,958,970**	4,025,361
	Profit from short term investment	**1,685,062**	-
	Profit from exposure deposits	**918,127**	-
		4,562,159	**4,025,361**

11	**TAXATION**		
	Current tax - for the year	**714,866**	4,077,683

11.1 Income tax assessments of the Company are deemed to be finalized as per tax returns file up to tax year 2019. Tax returns are subject to further assessment 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 a deemed assessment order for audit.

12 RELATED PARTY TRANSACTIONS

Related parties comprise of group companies (the Parent Company and fellow subsidiaries), key management personnel and directors of the company and their close family members.

The Company has not executed any transaction with related parties.

13 FINANCIAL RISK MANAGEMENT

13.1 Financial Risk Factors

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

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

a) Market Risk

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

i) Foreign currency risk

Foreign 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. As of the reporting date, the Company is not exposed to currency risk since there are no foreign currency transactions and balances at the reporting date.

ii) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Presently, daily stock market fluctuation is controlled by government authorities with cap and floor of 10%. The restriction of floor prices reduces the volatility of prices of equity securities and the chances of market crash at any moment. The Company manages price risk by monitoring the exposure in quoted securities and implementing the strict discipline in internal risk management and investment policies, which includes disposing of its own equity / debt investment and collateral held before it led the Company to incur significant mark-to-market and credit losses. As of the reporting date the Company was exposed to equity/ debt risk since it had investments in quoted securities amounting to Rs. 23.64 million (2019: Nil).

The carrying value of investments subject to equity/ debt price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

The Company's portfolio of short term investments is limited as Company's investment is in a single debt security instrument i.e. TFCs of Habib Bank limited which is bought during the year.

Sensitivity analysis

For the purpose of price risk sensitivity analysis it is observed that the benchmark PSX 100 Index has increased by almost 2% (2019: decreased by 19%) during the financial year.

The table below summarizes Company's equity/ debt price risk as of June 30, 2020 and 2019 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of markets and the aforementioned concentrations existing in Company's equity/ debt investment portfolio.

		Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders' equity	Hypothetical increase / (decrease) in profit / (loss) after tax
June 30, 2020	*Rupees*	23,640,000	10% increase	26,004,000	2,009,400	2,009,400
			10% decrease	21,276,000	(2,009,400)	(2,009,400)
June 30, 2019	*Rupees*	-	10% increase	-	-	-
			10% decrease	-	-	-

iii) Interest rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

Financial assets include balances of Rs. 25.707 million (2019: Rs. 24.201 million) while there are no financial liabilities for the Company (2019: Nil), which are subject to interest / markup rate risk. Applicable interest / mark-up rates for financial assets and liabilities have been indicated in respective notes.

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

	2020	2019	2020	2019
	Effective interest rate (%)		Carrying amounts (Rs.)	
Financial assets				
Bank deposits - *pls account*	9% to 11%	9% to 10.5%	2,067,215	24,201,133
short term investment - at FVTPL	12.83% to 14.92%	-	23,640,000	-

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not affect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments it is observed that interest / mark-up rate in terms of KIBOR has decreased by 567 bps during the year.

The following information summarizes the estimated effects of 1% hypothetical increases and decreases in interest rates on cash flows from financial assets and financial liabilities that are subject to interest rate risk. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. The hypothetical changes in market rates do not reflect what could be deemed best or worst case scenarios. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Effect on profit after tax	
	increase	**decrease**
As at June 30, 2020		
Cash flow sensitivity-Variable rate financial instruments	(182,521)	182,521
As at June 30, 2019		
Cash flow sensitivity-Variable rate financial instruments	(171,828)	171,828

b) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk

Credit risk of the Company mainly arises from deposits with banks and financial institutions, short term investment, deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies, investment and operational guidelines approved by the Board of Directors.

The carrying amount of financial assets represent the maximum credit exposure at the reporting date, which are detailed as follows:

	Carrying amount	
	2020	2019
	Rupees	
Long term deposits	**16,507,500**	16,507,500
Security deposit	**1,121,470**	-
Other receivables	**-**	747
Short term investment	**23,640,000**	-
Cash and bank balances	**2,069,644**	24,203,562
	43,338,614	40,711,809

The credit quality of Company's liquid funds can be assessed with reference to external credit ratings as follows:

Short term rating	2020	2019
	Rupees	
A1+	**2,067,215**	24,201,133
A-1	**99,720**	90,952
	2,168,955	24,292,085

Due to the company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company. Accordingly, the credit risk is minimal.

The Company writes off a defaulted financial asset when there remains no reasonable probability of recovering the carrying amount of the asset through available means.

c) **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company finances its operations through equity and borrowings with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

On the reporting date, the Company had cash and bank balance amounting to Rs. 2.07 million (2019: Rs. 24.204 million) and liquid assets in the form of short term securities amounting to Rs. 23.64 million (2019: Nil).

The Company had no interest bearing liabilities outstanding at the reporting date.

13.2 Fair value estimate

In case of equity instruments/ debt investment instruments, the Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 : Quoted market price (unadjusted) in an active market.

Level 2 : Valuation techniques based on observable inputs.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determines fair values using valuation techniques unless the instruments do not have a market \ quoted price in an active market and whose fair value cannot be reliably measured.

Valuation techniques used by the Company include discounted cash flow model. Assumptions and inputs used in the valuation technique mainly include risk-free rate, equity risk premium, long term growth rate and projected rates of increase in revenues, other income and expenses. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of judgment and estimation in the determination of fair value. Judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates, etc.

The table below analyses assets measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

June 30, 2020	Level 1	Level 2	Level 3	Total
	------------ Amount in Rupees -----------			
Financial assets mesured at fair value				
Short term investments	23,640,000	-	-	23,640,000

June 30, 2019	Level 1	Level 2	Level 3	Total
	------------ Amount in Rupees -----------			
Financial assets mesured at fair value				
Short term investments	-	-	-	-

13.3 Financial instruments by category

As at June 30, 2020	Asset At fair value through profit or loss	Ammortized cost	Total
	2020		
	Rupees		
Financial assets			
Long term deposits	-	16,507,500	16,507,500
Security deposit	-	1,121,470	1,121,470
Other receivable	-	-	-
Cash and bank balances	-	2,069,644	2,069,644
	-	19,698,614	19,698,614

As at June 30, 2020	Financial liabilities at amortized cost
	Rupees
Financial liabilities	
Other liabilities	180,000

As at June 30, 2019	Asset At fair value through profit or loss	Ammortized cost	Total
	2019		
	Rupees		
Financial assets			
Long term deposits	-	16,507,500	16,507,500
Other receivables	-	747	747
Cash and bank balances	-	24,203,562	24,203,562
	-	40,711,809	40,711,809

As at June 30, 2019	Financial liabilities at amortized cost
	Rupees
Financial liabilities	
Other liabilities	120,000

14 CAPITAL MANAGEMENT

14.1 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.

14.2 The **Capital adequacy level** as required by CDC is calculated as follows;

	2020	2019
	Rupees	
Total assets	45,841,487	43,214,682
Less: Total liabilities	642,152	408,595
Less: Revaluation Reserves	-	-
Capital adequacy level	45,199,335	42,806,087

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 Exchange has been considered.

14.3 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.

DESCRIPTION	VALUATION	*Note*	RUPEES
CURRENT ASSETS			
Cash and Bank Balances	As per Book Value	*14.4(i)*	3,191,114
Trade Receivables	Book Value less overdue for more than 14 days	*14.4(ii)*	-
Investment in listed securities in the name of broker.	Securities marked to market less 15% discount	*14.4(iii)*	-
Securities purchased for client	Securities purchased for the client and held by the member where the payment has not been received within 14 days.	*14.4(iv)*	-
Listed TFCs/Corporate Bonds of not less than BBB grade assigned by a credit rating company in Pakistan	Marked to market less 10% discount.	*14.4(v)*	21,276,000
FIBs	Marked to market les 5% discount.		-
Treasury Bill	At market value		-
			24,467,114
CURRENT LIABILITIES			
Trade Payables	Book value less overdue for more than 30 days	*14.4(vi)*	-
Other Liabilities	As per Book values	*14.4(vii)*	642,152
			642,152
Net capital balance as at June 30, 2020			**23,824,962**

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14.4 Notes to the net capital balance

	Rupees
(i) Cash and bank balances	
Cash in hand	-
Exposure margin deposited to NCCPL	1,121,470
Bank balance pertaining to clients	-
Bank balance pertaining to brokerage house	2,069,644
	3,191,114
(ii) Trade receivables	
Gross value	-
less: Provision for doubtful debts	-
Book value	-
Overdue for more than 14 days - gross value	-
less: Provision for doubtful debts	-
Overdue for more than 14 days - book value	-
	-
(iii) Investment in Listed Securities in the name of broker	
Securities marked to market	-
Less 15% discount	-
	-
(iv) Securities purchased for client	
Overdue balance for more than 14 days -gross value	-
Lower of overdue balance and securities held against such balance	-
(v) Listed TFCs/Corporate Bonds/ Others of not less than BBB grade assigned by a credit rating company in Pakistan	
Securities marked to market	23,640,000
less: 10% discount	(2,364,000)
	21,276,000
(vi) Trade payables	
Book value	-
Less: overdue for more than 30 days	-
	-
(vii) Other liabilities	
Creditors overdue for more than 30 days	-
Accrued Liabilities and Other Payables	642,152
	642,152

14.5 Liquid Capital

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.1	Property & Equipment	-	100.00%	-
1.2	Intangible Assets	2,500,000	100.00%	-
1.3	Investment in Govt. Securities (150,000*99)	-	-	-
1.4	**Investment in Debt. Securities**			
	If listed than:			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.	23,640,000	5.00%	22,458,000
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	7.50%	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	10.00%	-
	If unlisted than:			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.	-	10.00%	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	12.50%	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	15.00%	-
1.5	**Investment in Equity Securities**			
	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of carrying value.	-	100.00%	-
	iii.Subscription money against Investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been alloted or are not included in the investments of securities broker.			
	iv.100% Haircut shall be applied to Value of Investment in any asset including shares of listed securities that are in Block, Freeze or Pledge status as on reporting date. (July 19, 2017) Provided that 100% haircut shall not be applied in case of investment in those securities which are Pledged in favor of Stock Exchange / Clearing House against Margin Financing requirements or pledged in favor of Banks against Short Term financing arrangements. In such cases, the haircut as provided in schedule III of the Regulations in respect of investment in securities shall be applicable (August 25, 2017)	-		
1.6	Investment in subsidiaries	-	100.00%	-
1.7	**Investment in associated companies/undertaking**			
	i. If listed 20% or VaR of each securities as computed by the Securites Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	100.00%	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	16,507,500	100.00%	-
1.9	Margin deposits with exchange and clearing house.	1,121,470	-	1,121,470
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	2,873	100.00%	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil)	-	-	-
	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	100.00%	-
1.13	Dividends receivables.	-	-	-
1.14	Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. ***(Securities purchased under repo arrangement shall not be included in the investments.)***	-	-	-
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	-		-
	Receivables other than trade receivables	-	100.00%	-
1.16	**Receivables from clearing house or securities exchange(s)**			
	i. 100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.		-	-
	ii. Receivable on entitlements against trading of securities in all markets including MtM gains.		-	

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S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.17	**Receivables from customers**			
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. ***i. Lower of net balance sheet value or value determined through adjustments.***	-	-	-
	ii. Incase receivables are against margin trading, 5% of the net balance sheet value. *ii. Net amount after deducting haircut*	-	5.00%	-
	iii. Incase receivalbes are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, ***iii. Net amount after deducting haricut***	-	-	-
	iv. Incase of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. ***iv. Balance sheet value***	-	-	-
	v. Incase of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. ***v. Lower of net balance sheet value or value determined through adjustments***	-	-	-
	vi. 100% haircut in the case of amount receivable form related parties.	-	100.00%	-
1.18	**Cash and Bank balances**			
	I. Bank Balance-proprietory accounts	2,069,644	-	2,069,644
	ii. Bank balance-customer accounts	-	-	-
	iii. Cash in hand	-	-	-
1.19	**Total Assets**	**45,841,487**		**25,649,114**
2. Liabilities				
2.1	**Trade Payables**			
	i. Payable to exchanges and clearing house	-	-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	-	-	-
2.2	**Current Liabilities**			
	i. Statutory and regulatory dues	-	-	-
	ii. Accruals and other payables	180,000	-	180,000
	iii. Short-term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long term liabilities	-	-	-
	vi. Deferred Liabilities	-	-	-
	vii. Provision for bad debts	-	-	-
	viii. Provision for taxation	462,152	-	462,152
	ix. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.3	**Non-Current Liabilities**			
	i. Long-Term financing	-	-	-
	a. Long-Term financing obtained from financial instituion: Long term portion of financing obtained from a financial institution including amount due against finance lease	-	-	-
	b. Other long-term financing			
	ii. Staff retirement benefits			
	iii. Advance against shares for increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Boad of Directors of the company has approved the increase in capital c. Relevant Regulatory approvals have been obtained d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e. Auditor is satisfied that such advance is against the increase of capital.			
	iv. Other liabilities as per accounting principles and included in the financial statements	-	-	-

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S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
2. Liabilities				
2.4	**Subordinated Loans**	-	-	-
	i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified: a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period b. No haircut will be allowed against short term portion which is repayable within next 12 months. c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.			
	ii. Subordinated loans which do not fulfill the conditions specified by SECP	-	-	-
2.5	**Total Liabilites**	642,152		642,152
3. Ranking Liabilities Relating to :				
3.1	**Concentration in Margin Financing**			
	The amount calculated client-to- client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-		-
3.2	**Concentration in securites lending and borrowing**			
	The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (Ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-
3.3	**Net underwriting Commitments**			
	<u>**(a) in the case of right issuse :**</u> if the market value of securites is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issuse where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting	-	-	-
	<u>**(b) in any other case :**</u> 12.5% of the net underwriting commitments	-	-	-
3.4	**Negative equity of subsidiary**			
	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
3.5	**Foreign exchange agreements and foreign currency positions**			
	5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign cuurency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
3.7	**Repo adjustment**			
	In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securites. **In the case of financee/seller** the market value of underlying securities after applying haircut less the total amount received ,less value of any securites deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
3.8	**Concentrated proprietary positions**			
	If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position,then 10% of the value of such security	-	-	-

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S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
3. Ranking Liabilities Relating to :				
	Opening Positions in futures and options			
3.9	i. In case of customer positions, the total margin requiremnets in respect of open postions less the amount of cash deposited by the customer and the value of securites held as collateral/ pledged with securities exchange after applyiong VaR haircuts		-	-
	ii. In case of proprietary positions , the total margin requirements in respect of open positions to the extent not already met		-	-
	Short selll positions			
3.10	i. Incase of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts	-	-	-
	ii. Incase of proprietory positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.	-	-	-
3.11	Total Ranking Liabilites	-	-	-
		45,199,335	Liquid Capital	25,006,962

15 NUMBER OF EMPLOYEES

	2020	2019
Number of person	**Nil**	Nil

16 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on July 29, 2020.

17 GENERAL

Figures have been rounded off to the nearest rupee and corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison.

ARIF HABIB 1857 (PVT.) LTD. KARACHI

CHIEF EXECUTIVE **DIRECTOR**