



Private & Confidential



**PEARL SECURITIES LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2023**

## DIRECTORS' REPORT

We are pleased to present the directors' report of the company for the year ended June 30, 2023, together with the auditors' report thereon.

### **Market Review**

The FY2023 painted as a gloomy picture on the backdrop of the increasing price hikes, interest rates and political turmoil. This was worst year in the history of Pakistan. The external & internal pressures lead to negative outlook by the donor agencies on the one side and dwindling forex reserves on the other side played havoc with the economy.

The barometer of economic strength, KSE 100 index registered a deficit of 0.2% and closed at 41,541 level at the end of FY22 versus 41,453 at the end of last year. The total market capitalization stood at PKR 6.4 trillion versus PKR 6.9 trillion at the beginning of the year.

There were 4 listing of PKR 8.6 billion was not able to bring any notable interest by the local or foreign investors. The devastating floods added to the misery of the masses. In nutshell 2023 was filled with negative sentiments, new and growth. Though PSX made few remarkable technological changes in the trading system of the exchange. New Trading & Surveillance System acquired from Shenzhen Stock Exchange will be remarkable achievement of the management of PSX.

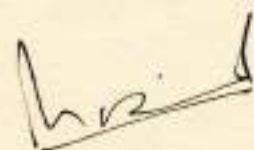

### **Review of Operations**

This financial year was a challenging and the company was struggling to cut corners and keep the bottom-line green. The performance of the company wasn't as projected at the beginning of the year. The operating revenues was victim to shrinking volumes in the market and prices as well. The gain from investments and austerity measures saved the bottom line which enabled us to show an earning of Rs. 1.50 per share with a PAT of Rs. 21.68 million versus PAT of Rs. 68.64 million during the financial year ended June 30, 2022.

The Board would also like to thank all the Directors for their guidance and support, and acknowledge their commitments to add value for the stakeholders.

### **Future Outlook**

The coming year is the Election year. The sooner we get the chance to elect our representative the sooner stability will come to local horizon. The main challenges faced include Pakistan's alliances with changing regional and global powers, the ability of new government to bring growth in GDP and

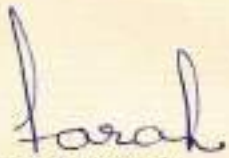


increase the export base, the recovery of flood trodden areas and curtail the double-digit inflation & interest rate.

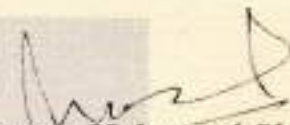
Our company's performance is attached to the growth of the capital markets. We are a resilient nation and if we are able to transform our political, social & economic fabric then we will be able to see recovery in P/E & P/B ratios.

***Acknowledgement***

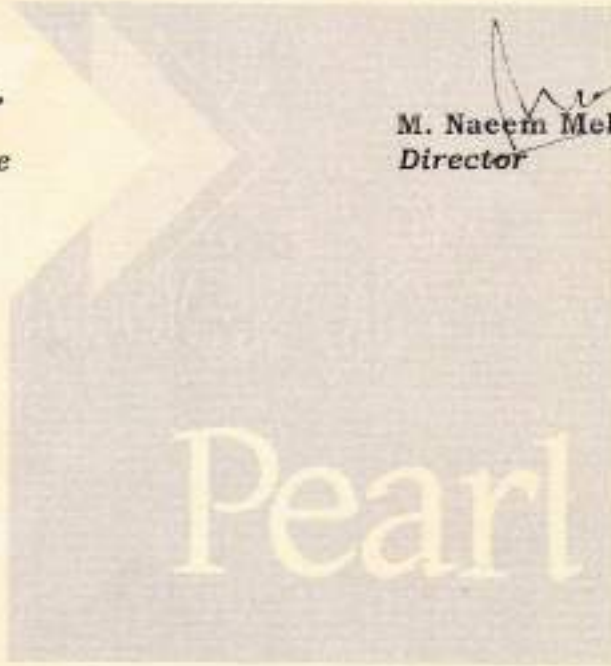
We express our sincere gratitude to our valued clients for their support and bankers to the company for their cooperation, Securities & Exchange Commission of Pakistan, Karachi Stock Exchange, Central Depository Company, National Clearing Company of Pakistan, and Board members for their continued guidance. We also appreciate the efforts and dedication of all employees of the Company for their commitment and hard work.



**Farah Zubair**  
*Chief Executive*



**M. Naeem Mehmood Shahid**  
*Director*



Pearl

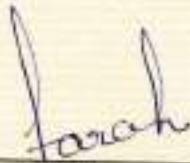


Pearl Securities Limited

Corporate Member:  
Pakistan Stock Exchange Limited.  
Accredited Member FMAP  
Pakistan Mercantile Exchange Limited  
www.pearlsecurities.com

**STATEMENT BY CHIEF EXECUTIVE OFFICER**  
**YEAR 2022-23**

I, Farah Zubair Chief Executive Officer of Pearl Securities Limited hereby declare that there are no transactions entered into by Pearl Securities Limited during the year, which are fraudulent, illegal or violation of any securities market laws.



**Farah Zubair**

**Chief Executive Officer & Director**

Registered Office: Suite # 204, 2nd Floor, Business & Finance Centre, Opp State Bank, I.I. Chundrigar Road, Karachi-Pakistan. PABX: (92-21) 32461468-70 Fax: (92-21) 32473861

Stock Office: Suite 137, 3rd Floor, Stock Exchange Building, Karachi-Pakistan. Phone: (92-21) 32446651-54 Fax: (92-21) 32446655

Lahore Office I : Suite # 218, 2nd Floor, Siddiq Trade Centre, 72 Main Boulevard Gulberg, Lahore Tel: (92-42) 35781812-13 Fax:(92-42) 36781814

Lahore Office II : Suite # 417, 4th Floor, LSE Plaza, 19, Khayaban-e-Akwan-e-Iqbal, Lahore-Pakistan. Tel: (92-42) 36300540-43.

Peshawar Office : Ground Floor, State Life Building Peshawar Cantt, Peshawar-Pakistan. Phone: (92-91) 5254100 Fax: (92-91) 5254107

Islamabad Office : Suite # 1014, 10th Floor, Islamabad Stock Exchange Towers, Blue Area, Islamabad. Phone: (92-51) 2895066

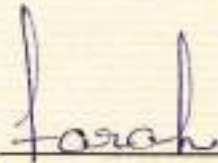
Mardan Office: Suite # 102 & 103 Ground Floor Mardan Trade Center Mardan-Pakistan. Phone: (92-937) 861034 Fax:(92-937) 870052

Kohat Office: Suite # 5-6 Al-Madina Plaza Near Central Science College University Road Chakkar Kot Kohat. Phone: (09-22) 866385



**STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE CODE FOR  
SECURITIES BROKER (GIVEN UNDER ANNEXURE-D OF SECURITIES BROKERS  
LICENSING & OPERATIONS REGULATION, 2016  
YEAR 2022-23**

Pearl Securities Limited is in compliance with the Corporate Governance Code for Securities Broker as mentioned in Annexure-D of Regulation 16(1) (f) of Securities Broker (Licensing & Operations) Regulations, 2016.



**Farah Zubair**

**Chief Executive Officer & Director**

**Independent Auditor's Report  
To the members of Pearl Securities Limited  
Report on the Audit of the Financial Statements**

**Opinion**

We have audited the annexed financial statements of **Pearl Securities Limited** (the Company) which comprise the statement of financial position as at 30 June 2023, 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, 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 forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2023 and of its profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with 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**

The management is responsible for the other information. The other information comprises the information included in the Annual 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 or 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.

*cmc*

## **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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



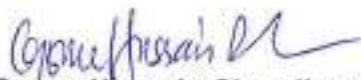
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) and;
- e) the Company was in compliance with the requirements of section 78 of the Securities Act, 2015 and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the statement of financial position was prepared.

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

  
**Crowe Hussain Chaudhury & Co.**  
Chartered Accountants

**Karachi**

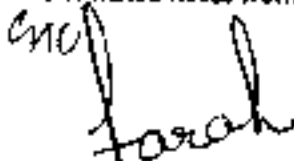
**Date:**

**UDIN:** AR202310207hGg8Rj0bW

**PEARL SECURITIES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2023**

	Note	2023	2022
		(Rupees)	
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized capital			
50,000,000 (2022: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up capital	5	144,136,000	144,136,000
Revenue reserve - unappropriated profit		200,574,492	188,880,727
Fair value reserve		(151,850,207)	(105,699,509)
Sponsors' loan		46,000,000	46,000,000
Remeasurement of post retirement benefits		2,895,334	(531,126)
		<u>241,755,619</u>	<u>272,786,092</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease Liability	6	505,518	2,404,506
Staff retirement benefits	7	33,706,000	32,706,000
		<u>34,211,518</u>	<u>35,110,506</u>
<b>CURRENT LIABILITIES</b>			
Trade creditors, accrued and other liabilities	9	353,061,393	551,153,830
Accrued markup		69,570,789	40,810,976
Short term borrowings	10	1,403,578,497	1,170,647,291
Current portion of lease liability	6	1,898,987	1,716,346
Taxation - net		2,697,741	-
		<u>1,830,807,407</u>	<u>1,764,328,443</u>
Contingencies and commitments	11	-	-
		<u>2,106,774,544</u>	<u>2,072,225,041</u>
<b>NON-CURRENT ASSETS</b>			
Property and equipment	12	40,009,514	37,419,433
Right-of-use assets	13	2,207,869	3,974,164
Intangible assets	14	2,750,000	2,750,000
Deferred taxation	8	30,690,826	24,293,515
Long term deposits	15	17,907,979	18,837,979
		<u>93,566,188</u>	<u>87,275,091</u>
<b>CURRENT ASSETS</b>			
Short term investments	16	187,018,436	603,293,350
Receivable against margin financing transactions		11,215,526	24,189,686
Trade debts	17	1,660,112,895	1,224,785,094
Advances, deposits, prepayments and other receivables	18	61,179,007	28,270,626
Taxation - net		-	5,175,913
Cash and bank balances	19	93,682,492	99,235,281
		<u>2,013,208,356</u>	<u>1,984,949,950</u>
		<u>2,106,774,544</u>	<u>2,072,225,041</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.



**CHIEF EXECUTIVE**



**DIRECTOR**

**PEARL SECURITIES LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Note	2023 ----- (Rupees) -----	2022 ----- (Rupees) -----
Operating revenue	20	106,935,935	151,696,923
Capital gain on short term investments		299,526,206	276,227,583
Administrative and operating expenses	21	(159,242,027)	(173,930,432)
Unrealized gain/(loss) on fair value through profit and loss investments	16	322,468	(2,136,185)
Operating profit		<u>247,542,582</u>	<u>251,857,889</u>
Finance cost	22	(241,129,495)	(169,915,151)
		<u>6,413,087</u>	<u>81,942,738</u>
Other income	23	23,952,244	22,346,710
Profit before taxation		<u>30,365,331</u>	<u>104,289,448</u>
Taxation			
- Current		(12,946,365)	(32,486,992)
- Prior years		(1,174,395)	(4,707,036)
- Deferred		5,439,733	1,549,140
	24	<u>(8,681,027)</u>	<u>(35,644,888)</u>
Profit after taxation		<u>21,684,304</u>	<u>68,644,560</u>
Earning per share - basic and diluted	25	<u>1.50</u>	<u>4.76</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.

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**CHIEF EXECUTIVE**

  
**DIRECTOR**

**PEARL SECURITIES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	2023	2022
	----- (Rupees) -----	
<b>Profit after taxation</b>	<b>21,684,304</b>	68,644,560
<b>Other comprehensive income for the year</b>		
<b>Items that will not be reclassified subsequently to profit or loss</b>		
- Remeasurement of staff retirement obligation - net of deferred tax	3,426,460	(472,698)
- Unrealised (loss) - FVOCI investment - net of deferred tax	<b>(46,150,698)</b>	(869,968,674)
- Realised (loss) - FVOCI investment	<b>(9,990,539)</b>	5,660,649
	<b>(56,141,237)</b>	(864,308,025)
<b>Total comprehensive(loss) for the year</b>	<b><u>(31,030,473)</u></b>	<b><u>(796,136,163)</u></b>

The annexed notes from 1 to 38 form an integral part of these financial statements.

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CHIEF EXECUTIVE

*[Handwritten Signature]*

DIRECTOR

**PEARL SECURITIES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	2023	2022
	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	30,365,331	104,289,448
Adjustments for:		
- Depreciation	4,273,585	4,318,245
- Depreciation on right of use assets	1,766,295	1,696,611
- Unrealized (gain) / loss on held-for-trading investments	(322,468)	2,136,185
- Provision for gratuity	8,200,000	5,052,807
- (Gain)/loss on disposal of fixed assets	(1,711,866)	15,170
- Finance cost	241,129,495	169,915,151
Cash generated from operating activities before working capital changes	253,335,041	183,134,169
Decrease / (increase) in current assets		
Trade debts	(435,327,801)	302,892,695
Receivable against margin financing transactions	12,974,160	61,025,767
Advances, deposits, prepayments and other receivables	(32,908,381)	16,741,414
Increase / (decrease) in current liabilities		
Trade creditors, accrued and other liabilities	(198,092,437)	(246,700,516)
Short term borrowings	232,931,206	(466,215,934)
Financial charges paid	(420,423,253)	(332,256,574)
Taxes paid	(212,369,682)	(222,141,562)
Gratuity paid	(7,204,686)	(49,780,376)
Net cash (used in) operating activities	(2,374,000)	(4,119,545)
	(358,671,249)	(320,874,440)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(7,507,800)	(6,328,340)
Proceeds from disposal of property and equipment	2,356,000	45,200
Net proceeds from sale of short term investments	360,564,570	266,810,702
Long term deposits	930,000	(8,350,000)
Net cash generated from investing activities	356,342,770	252,177,562
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of lease liability	(3,224,311)	1,330,570
Sponsor's loan received	-	46,000,000
Repayment of long term loan	-	(197,595,494)
Net cash (used in) financing activities	(3,224,311)	(150,264,924)
Net increase/(decrease) in cash and cash equivalents	(5,552,790)	(218,961,802)
Cash and cash equivalents at the beginning of the year	99,235,282	318,197,084
Cash and cash equivalents at the end of the year	93,682,492	99,235,282

The annexed notes from 1 to 38 form an integral part of these financial statements.

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CHIEF EXECUTIVE



DIRECTOR

**PEARL SECURITIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Issued, subscribed & paid-up capital	Sponsor's Loan (Note: 4.19)	Revenue reserve - inappropriate of profit	Fair value reserve	Remeasurement of post retirement benefits-net of tax	Total
(Rupees)						
Balance as at 30 June 2021	144,136,000	-	114,575,519	764,269,165	(58,428)	1,072,922,256
Profit after taxation for the year	-	-	62,604,559	-	-	68,644,559
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	5,660,649	(5,660,649)	-	-
Remeasurement loss on post retirement benefits-net of tax for the year	-	-	-	-	(472,698)	(472,698)
Other comprehensive gain for the year	-	-	-	(864,308,025)	-	(864,308,025)
Loan received from sponsor	-	46,000,000	-	-	-	46,000,000
<b>Balance as at 30 June 2022</b>	<b>144,136,000</b>	<b>46,000,000</b>	<b>188,880,727</b>	<b>(103,699,509)</b>	<b>(531,126)</b>	<b>272,704,092</b>
Profit after taxation for the year	-	-	21,684,304	-	-	21,684,304
Other comprehensive gain for the year	-	-	-	(56,141,237)	-	(56,141,237)
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	(9,990,539)	9,990,539	-	-
Remeasurement loss on post retirement benefits-net of tax for the year	-	-	-	-	3,426,460	3,426,460
<b>Balance as at 30 June 2023</b>	<b>144,136,000</b>	<b>46,000,000</b>	<b>200,574,492</b>	<b>(151,850,207)</b>	<b>2,895,334</b>	<b>241,755,619</b>

The annexed notes from 1 to 38 form an integral part of these financial statements.

  
**FARAH**  
 CHIEF EXECUTIVE

  
**DIRECTOR**

**PEARL SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

Pearl Securities Limited (the Company) was incorporated as a private limited company on May 8, 2000 under the repealed Companies Ordinance, 1984 (now the companies act, 2017) and was subsequently converted into a public limited Company on April 27, 2009. The Company is a corporate member of Pakistan Stock Exchange Limited (PSX).

The Company is a Trading Right Entitlement Certificate (TREC) holder of PSX and a member of Pakistan Mercantile Exchange Limited (PMEX). The Company is principally engaged in brokerage of shares, stocks, securities, commodities and other financial instruments, securities research, financial consultancy and underwriting. The Company has a network of six branches (June 30, 2022: six branches) across Pakistan.

**Geographical location of business units**

**Locations**

**Addresses**

**Head Office/Registered Office**

Suit # 204, 2nd Floor, Business & Finance Centre, I.I Chundrigar Road, Karachi.

**Branches**

Pakistan Stock Exchange

Suit # 137, 3rd Floor, Stock Exchange Building, Karachi

Islamabad Branch

Suit # 1011, 10th Floor, Stock Exchange Towers, Islamabad

Peshawar Branch

Ground Floor, State Life Building, Peshawar Cantt, Peshawar.

Lahore Branch

Suit # 218, 2nd Floor, Siddiq Trade Centre, 72 Main Boulevard Gulberg, Lahore.

Mardan Branch

102-103, Ground Floor, Mardan Trade Centre-2, Qazi Bashir Road, Opp DC Office, Mardan.

Kohat Branch

S-6, Al-Madina Plaza, Near Central Science College, University Road, Chakar Kot, Kohat.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

- These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:
  - International Financial Reporting Standards (IFRS) issued by the International Accounting Standards 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, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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**2.2 Basis of measurement**

These financial statements have been prepared under historical cost convention except for certain financial assets and financial liabilities which have been stated at their fair values and staff retirement benefit which is stated at 'Projected Unit Credit Method'

**2.3 Functional and presentation currency**

These financial statements have been presented in Pakistan Rupees, which is the functional currency of the Company and rounded off to the nearest rupee.

**2.4 Use of critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates involved or where judgment was exercised in application of accounting policies are as follows:

	<b>Note</b>
a) Useful life of property and equipment	4.1
b) Carrying amount of Intangible assets	4.3
c) Provision of impairment of financial assets	4.4
d) Provision for current and deferred taxation	4.9
e) Leases	4.17

**3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

**3.1 Standards, amendments to approved accounting standards effective in current year**

There were certain amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 01, 2022. However, these are considered not to be relevant or to have any significant effect on the Corporation's financial reporting and operations and, therefore, have not been disclosed in these financial statements.

**3.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company**

There is a standard and certain other amendments to accounting and reporting standards that are not yet effective and are considered either not to be relevant or to have any significant impact on the Company's financial statements and operations and, therefore, have not been disclosed in these financial statements.

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#### 4. SIGNIFICANT ACCOUNTING POLICIES

##### 4.1. Property and equipment

###### Owned

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit and loss account by applying the reducing balance method systematically on yearly basis at the rates specified in note 11.1. Depreciation on additions to property and equipment is charged from the month in which an item is acquired while no depreciation is charged in the month the item is disposed off.

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If such an indication exists the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the estimated recoverable amount, assets are written down to the recoverable amount; and the impairment losses are recognised in the profit and loss account.

The residual value, depreciation method and the useful lives of each part of property and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of assets, if any are included in profit and loss account for the current year.

Normal repairs and maintenance costs are charged to profit and loss account in the period of its occurrence, while major renovations and improvements are capitalized only when it is probable that the future economic benefits associated with the item will flow to the entity and its cost can be measured reliably. Disposal of assets is recognized when significant risk and rewards incidental to the ownership have been transferred to the buyers.

##### 4.2 Intangible assets

These represent computer software, Trading right entitlement certificate and membership card of Pakistan Mercantile Exchange Limited (PMEX).

TRE Certificate and membership card of PMEX has an indefinite useful life and are stated at the carrying value less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of their recoverable amounts, and where the carrying value exceeds the estimated recoverable amount, it written down to their estimated recoverable amount.

Computer software is recognized in the financial statements, if and only if, it is probable that the future economic benefits that are attributable to the asset will flow to the Company; and the cost of the asset can be measured reliably. It is carried at cost less accumulated amortization and impairment, if any. Amortization is charged from the month of addition to the month preceding the month of retirement / disposal, by applying reducing balance method. The amortization period and the amortization method for intangible assets with finite useful life are reviewed, and adjusted if appropriate, at each reporting date.

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**4.3 Financial instruments**

**a) Initial recognition**

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

**b) Classification of financial assets**

The Company classifies its financial instruments in the following categories:

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

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

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

By default, all other financial assets are subsequently measured at FVTPL.

**c) Classification of financial liabilities**

The Company classifies its financial liabilities in the following categories:

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

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

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**d) Subsequent measurement****(i) Financial assets at FVTOCI**

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognised in other comprehensive income / (loss).

**(ii) Financial assets and liabilities at amortised cost**

Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost, and in the case of financial assets, less any impairment.

**(iii) Financial assets and liabilities at FVTPL**

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

**e) Impairment of financial assets**

The Company recognises loss allowance for Expected Credit Loss (ECL) on financial assets measured at amortised cost and FVTOCI at an amount equal to lifetime ECLs except for the financial assets in which there is no significant increase in credit risk since initial recognition or financial assets which are determined to have low credit risk at the reporting date, in which case 12 months' ECL is recorded. The following were either determined to have low or there was no increase in credit risk since initial recognition as at the reporting date:

- bank balances;
- receivable from employee
- receivables from NCCPL and others

Loss allowance for trade receivables are always measured at an amount equal to life time ECLs.

Life time ECLs are the ECLs that results from all possible default events over the expected life of a financial instrument. 12 months ECLs are portion of ECL that result from default events that are possible within 12 months after the reporting date.

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

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

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## f) Derecognition

### (i) Financial assets

The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to statement of changes in equity.

### (ii) Financial liabilities

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

## 4.4 Offsetting of financial assets and financial liabilities

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

## 4.5 Long term deposits

These are stated at cost which represents the fair value of consideration given.

## 4.6 Trade debts

Trade debts are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. A provision for impairment is established when there is an objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Provision is made on the basis of lifetime ECLs that result from all possible default events over the expected life of the trade debts. Bad debts are written off when considered irrecoverable.

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## 4.7 Taxation

### Current

Provision for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any.

### Deferred

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

Deferred tax is not recognised for the following temporary differences; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill, be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted.

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

## 4.8 Revenue recognition

- Brokerage and commission income is recognised as and when such services are provided and when performance obligations have been satisfied and right to receive the consideration in exchange for services has been established.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Interest income is recognised on a time proportion basis that takes into account the effective yield
- Income on continuous funding system is recognised on an accrual basis.
- Underwriting commission is recognised when the agreement is executed.
- Gains / (loss) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Unrealised gains / (losses) arising on mark to market of investments classified as 'Financial assets at fair value through profit or loss' are included in the profit and loss account in the period in which they arise.
- Unrealised capital gains / (losses) arising from mark to market of investments classified as 'available-for-sale' are taken directly to other comprehensive income.
- All other incomes are recognised on an accrual basis.

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**4.9 Expenses**

All expenses are recognized in the profit or loss on an accrual basis.

**4.10 Provisions**

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

**4.11 Creditors, accrued and other liabilities**

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in future for goods and services received.

**4.12 Dividend**

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

**4.13 Cash and cash equivalents**

Cash and cash equivalents for cash flow purposes include cash in hand, current and deposit accounts held with banks.

**4.14 Earning per share**

Earning per share is calculated by dividing the profit after taxation for the year by the weighted average number of shares outstanding during the year.

**4.15 Leases**

**a) Right of use of assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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**b) Lease Liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**c) Short term leases and leases of low-value assets**

The Company applies the short-term lease recognition exemption to its short-term leases of lease contract of branches (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**4.16 Operating segments**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Board of Directors and Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Currently the company has only one reportable segments.

**4.17 Sponsor's Loan**

According to technical release 32 issued by the Institute of Chartered Accountants of Pakistan (ICAP) according to which a loan to an entity by the director which is agreed to be paid at the discretion of the entity does not pass the test of liability and is to be recorded as equity at face value. This is not subsequently re-measured. The decision by the entity at any time in future to deliver cash or any other financial asset to settle the director's loan would be a direct debit to equity

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**5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

This comprises fully paid-up ordinary shares of Rs. 10 each as follows:

2023 ----- (No. of shares) -----	2022	Note	2023 ----- (Rupees) -----	2022
<u>14,413,600</u>	<u>14,413,600</u>	Issued for cash	<u>144,136,000</u>	<u>144,136,000</u>

**5.1 Pattern of Shareholding**

Categories of shareholders	Shares Held	Percentage
<b>Members:</b>		
Mrs Fatima Usman	4,418,100	30.652%
Mrs. Nalk Parveen	972,555	6.747%
Mr. Muhammad Arfeen Dhedhi	972,625	6.748%
Mr. Amir Nazeer Dhedhi	972,625	6.748%
Ms. Alla Dhedhi	972,625	6.748%
Mr. Sajid Amwar	500	0.003%
Mr. M Asadullah Sheikh	500	0.003%
Mrs Farzana Asad	432,270	2.999%
Government of KPK GPI Fund	5,670,300	39.340%
<b>Directors and their spouse(s) and minor children</b>		
Ms. Farah Zubair	500	0.003%
Mr. Pervez Mirza Chaghtai	500	0.003%
Mr. Muhammad Naeem Mahmood Shahid	500	0.003%
<b>Total</b>	<u>14,413,600</u>	<u>100.00%</u>

**5.2 OTHER DISCLOSURES UNDER REGULATION 34(2) OF THE SECURITIES BROKER (LICENSING AND OPERATIONS) REGULATION 2016:**

Shareholders holding 5% or more	Shares held	Percentage
Mrs. Nalk Parveen	972,555	6.747%
Mr. Muhammad Arfeen Dhedhi	972,625	6.748%
Mr. Amir Nazeer Dhedhi	972,625	6.748%
Ms. Alla Dhedhi	972,625	6.748%
Government of KPK GPI Fund	5,670,300	39.340%
Mrs. Fatima Usman	4,418,100	30.652%

Note	2023 ----- (Rupees) -----	2022
------	------------------------------	------

**6. LEASE LIABILITY**

Lease liability	6.1	<u>2,404,505</u>	<u>4,120,852</u>
Lease Liability		2,404,505	4,120,852
Less: Current portion lease liability		<u>(1,898,987)</u>	<u>(1,716,346)</u>
Long term portion		<u>505,518</u>	<u>2,404,506</u>

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- 6.1. Rental contracts are made for a fixed period subject to renewal upon mutual consent of Company and lessor. Wherever practicable the Company seeks to include extension option to provide operational flexibility. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

	2023	2022
	-----Rupees-----	
Present value of minimum lease payments	2,404,505	4,120,852
Less: current portion of lease liabilities	<u>(1,898,987)</u>	<u>(1,716,346)</u>
	<u>505,518</u>	<u>2,404,506</u>
<b>Maturity analysis</b>		
Not later than 1 year	1,898,987	1,716,346
Later than 1 year but not later than five years	<u>505,518</u>	<u>2,404,506</u>
	<u>2,404,505</u>	<u>4,120,853</u>

## 7. STAFF RETIREMENT BENEFITS

- 7.1 The Company has established a Fund - 'Pearl Securities Limited - Employees' Unfunded Gratuity Scheme' for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier of cessation of service. The amount of gratuity payable is equal to one month's gross salary for each year of eligible service with the Company subject to a minimum qualifying period of service of 5 years.

### 7.2 Principal actuarial assumptions

The latest actuarial valuations of the unfunded gratuity scheme was carried out by the valuers Akhtar & Hassan Company as at 30 June 2023. The principal actuarial assumptions based on actuarial report for the year ended 30 June 2023 are as follows:

	2023	2022
Note	-----Rates-----	
Discount rate	<u>16.25%</u>	<u>13.25%</u>
Salary increase rate	<u>11.25%</u>	<u>12.00%</u>
Mortality rates	<u>SLIC(2001-05)-1</u>	<u>SLIC(2001-05)-1</u>

### 7.3 The Amount recognized in statement of financial position

	2023	2022
	----- (Rupees) -----	
Present value of defined benefit obligations	33,706,000	32,706,000
Fair value of plan assets	<u>-</u>	<u>+</u>
	<u>33,706,000</u>	<u>32,706,000</u>

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2023

2022

----- (Rupees) -----

**7.4 Movement in present value of defined benefit obligations**

Present value of obligations as at 01 July	32,706,000	30,219,000
Current service cost	3,776,000	3,545,000
Interest cost on defined benefit obligation	4,424,000	3,032,000
Re-measurement gain	(4,826,000)	(1,524,000)
Actual benefits paid during the year	(2,374,000)	(2,565,000)
Present value of obligation as at 30 June	<u>33,706,000</u>	<u>32,706,000</u>

**7.5 Cost recognized in profit or loss**

Current service cost	3,776,000	3,545,000
Net interest	4,424,000	3,032,000
	<u>8,200,000</u>	<u>6,577,000</u>

**7.6 Remeasurement recognized in other comprehensive income**

Gain due to change in financial assumptions	(467,000)	(340,000)
Gain due to change in experience adjustments	(4,359,000)	(1,184,000)
	<u>(4,826,000)</u>	<u>(1,524,000)</u>

**7.7 Sensitivity analysis on significant actuarial assumptions:**

<b>Current Liability</b>	<u>33,706,000</u>	<u>32,706,000</u>
Discount rate: +0.5%	<u>32,342,000</u>	<u>31,292,000</u>
Discount rate: -0.5%	<u>35,159,000</u>	<u>34,221,000</u>
Long term salary increase: +0.5%	<u>35,093,000</u>	<u>34,156,000</u>
Long term salary increase: -0.5%	<u>32,939,000</u>	<u>31,340,000</u>

## 8. DEFERRED TAXATION

	2023		
	Opening balance	(Charge) / reversal	(Liability)/Assets Closing
	----- (Rupees) -----		
<b>Taxable temporary differences:</b>			
Accelerated depreciation allowance	(5,858,767)	(405,234)	(6,264,001)
Right of Use of assets	(1,152,508)	512,226	(640,282)
Investments-FVOCI	14,291,266	9,780,857	24,072,123
Re-measurement of staff retirement obligation	(441,960)	(957,580)	(1,399,540)
<b>Deductible temporary differences:</b>			
Provision for doubtful debts	4,788,852	-	4,788,852
Provision for gratuity	9,484,740	-	9,484,740
Liability against leased assets	1,195,047	(497,741)	697,306
Investments-FVTPL	267,023	(315,393)	(48,370)
Depreciation / Initial allowance unlimited C/F	1,719,822	(1,719,822)	-
	<b>24,293,515</b>	<b>6,397,313</b>	<b>30,690,829</b>

	2022		
	Opening balance	(Charge) / reversal	Closing balance
	----- (Rupees) -----		
<b>Taxable temporary differences:</b>			
Accelerated depreciation allowance	(6,070,761)	211,994	(5,858,767)
Right of Use of assets	(107,848)	(1,044,660)	(1,152,508)
Investments-FVOCI	(134,871,029)	149,162,295	14,291,266
Re-measurement of staff retirement obligation	1,554,738	(1,996,698)	(441,960)
<b>Deductible temporary differences:</b>			
Provision for doubtful debts	3,338,852	1,450,000	4,788,852
Provision for gratuity	8,763,220	721,520	9,484,740
Liability against leased assets	111,875	1,083,172	1,195,047
Investments-FVTPL	1,168,186	(901,163)	267,023
Depreciation / Initial allowance unlimited C/F	1,691,545	28,277	1,719,822
	<b>(124,421,222)</b>	<b>148,714,737</b>	<b>24,293,515</b>

Note 2023 2022  
----- (Rupees) -----

## 9. TRADE CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors for purchase of shares	9.1	81,408,448	88,137,048
Payable to NCCPL	9.2	5,836,303	1,533,097
Creditors of PMEX		6,143	6,143
Payable to money market clients		258,007,263	453,696,799
Payable to forex clients		-	87,057
Sindh sales tax on brokerage services		296,678	1,527,770
Commission payable to traders		2,937,986	3,511,722
Accrued and other liabilities		4,568,572	2,664,194
		<b>353,061,393</b>	<b>551,153,830</b>

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	Note	2023	2022
		(Rupees)	
<b>10. SHORT TERM BORROWINGS</b>			
<b>From banking companies - secured</b>			
Summit Bank Limited	10.1	222,341,797	146,134,470
Silk Bank Limited	10.2	599,716,918	597,798,076
Sindh Bank Limited	10.3	293,435,571	301,009,776
Askari Bank Limited	10.4	19,924,803	56,056,623
Sonari Bank Limited	10.5	778,308	19,648,346
Silk Bank Limited	10.6	267,381,100	
<b>From Investment companies - secured</b>			
Saudi Pak Agricultural & Investment Company Limited		-	50,000,000
		<u>1,403,578,497</u>	<u>1,170,647,291</u>
10.1	This represents running finance facility with a limit of Rs.223 million (2022: Rs.223 million) against readily marketable shares of quoted companies and personal guarantee of the Chief Executive Officer of the Company for meeting the working capital requirements carrying markup at the rate of 3 months KIBOR plus 200 bps per annum, which at the year end stood at 23.98% per annum (2022: 13.89% per annum).		
10.2	This represent running finance facility and repo facility with the limit of Rs. 900 million (2022: Rs. 600 million) for meeting the working capital requirements carrying markup at the rate of 3 months KIBOR plus 250 bps per annum subject to quarterly revisions, which at the year end stood at 24.48% per annum (2022: 14.45% per annum). The facility is secured with first pari passu charge of Rs. 1.14 billion on receivables of the Company.		
10.3	This represents running finance facility with a limit of Rs. 350 million (2022: Rs. 350 million) for meeting the working capital requirements carrying markup at the rate of 3 months KIBOR plus 375 bps (2022: 375 bps) per annum subject to quarterly revisions, which at the year end stood at 25.73% per annum (2022: 15.70% per annum). The facility is secured by pledge of shares of listed companies with 35% margin.		
10.4	This represents running finance facility with a limit of Rs. 200 million (2022: Rs. 500 million) for meeting the working capital requirements carrying markup at the rate of 3 months KIBOR plus 200 bps per annum payable on quarterly basis, which at the year end amounted to 23.70% per annum (2022: 13.95% per annum). The facility is secured by pledge of shares with 30% to 50% margin (2022: 30% to 50% margin).		
10.5	This represents running finance facility with a limit of Rs. 250 million (2022: Rs. 250 million) for meeting the working capital requirements carrying markup at the rate of 3 months KIBOR plus 250 bps per annum payable on quarterly basis, which at the year end amounted to 24.48% per annum (2022: 14.39%). The facility is secured by pledge of shares with 30% to 50% margin.		

- 10.6 This represents short repo borrowings against PIB amounting to Rs. 124,712,500 and T-Bills amounting to Rs. 142,668,600 from Silk bank at the rate of 21.45% and 22.7% respectively.
- 10.7 The unavailed credit facilities by the Company as at year end aggregated to Rs. 520 million (2022: Rs. 1002.352 million)

## 11. CONTINGENCIES AND COMMITMENTS

### 11.1 Contingencies

The Assistant Commissioner SRB, has passed 3 orders in respect of short payment of sales tax amounting to Rs. 280,808,039 along with penalty amounting to Rs. 14,040,401 in respect of financial year 2011 to 2018 on other charges recovered from customers. The Company has filed appeal before the Commissioner Appeals against the impugned order however, decision in appeal is pending. The Company is having fair chance of success in appeal, therefore, no provision has been made in these financial statements.

### 11.2 Commitments

	2023	2022
	(Rupees)	
Against future sale	<u>31,838,560</u>	<u>20,007,740</u>
Against future buy	<u>115,217,780</u>	<u>126,862,995</u>

## 12. PROPERTY AND EQUIPMENTS

Note

Property & equipments	12.1	<u>40,009,514</u>	<u>37,419,433</u>
		<u>40,009,514</u>	<u>37,419,433</u>

### 12.1

	30 June 2023					Total
	Office Premises	Furniture and fixtures	Office equipment	Computers	Vehicles	
	(Rupees)					
<b>COST</b>						
As at 1 July 2022	18,396,823	8,763,883	9,181,830	17,534,539	29,442,251	80,289,128
Additions	-	-	342,700	1,165,100	6,000,000	7,507,800
Disposals	-	-	(101,480)	(568,180)	(1,879,000)	(2,548,660)
As at 30 June 2023	<u>18,396,823</u>	<u>8,763,883</u>	<u>9,392,050</u>	<u>18,131,459</u>	<u>33,563,251</u>	<u>88,248,268</u>
<b>ACCUMULATED DEPRECIATION</b>						
As at 1 July 2022	-	5,107,178	3,850,490	13,269,378	19,542,640	42,869,695
For the year	-	288,471	540,891	872,901	2,604,122	4,273,585
On disposals	-	-	(52,932)	(440,968)	(1,410,768)	(1,904,526)
As at 30 June 2023	-	<u>5,462,849</u>	<u>4,338,459</u>	<u>13,701,421</u>	<u>10,735,976</u>	<u>45,238,254</u>
Written-down value	<u>18,396,823</u>	<u>3,301,034</u>	<u>5,054,892</u>	<u>4,429,988</u>	<u>12,827,275</u>	<u>40,009,514</u>

CAC

	30 June 2022					Total
	Office Premises	Furniture and fixtures	Office equipment	Computers	Vehicles	
	(Rupees)					
<b>COST</b>						
As at 1 July 2021	15,396,625	8,521,755	8,871,604	17,284,939	29,486,251	79,561,224
Additions	-	242,128	390,026	392,300	-	1,024,454
Deposals	-	-	(109,800)	(142,750)	(44,000)	(296,550)
As at 30 June 2022	15,396,625	8,763,883	9,151,830	17,534,539	29,442,251	80,289,128
<b>ACCUMULATED DEPRECIATION</b>						
As at 1 July 2021	-	5,926,798	3,352,473	12,400,073	17,113,286	38,792,630
For the year	-	280,360	565,608	1,006,464	2,465,793	4,318,245
On disposals	-	-	(67,582)	(137,159)	(36,437)	(241,178)
As at 30 June 2022	-	6,207,178	3,850,499	13,269,378	19,542,640	42,869,695
Written down value	15,396,625	2,556,705	5,301,331	4,265,161	9,899,611	37,419,433
Depreciation rate per annum	-	10%	10%	20%	20%	

13. RIGHT OF USE ASSETS	Note	2023	2022
		(Rupees)	
<b>Cost</b>			
Opening balance		5,298,886	3,347,008
Addition during the year		-	5,298,886
Disposal during the year		-	(3,347,008)
<b>Closing balance</b>		<b>5,298,886</b>	<b>5,298,886</b>
<b>Accumulated Depreciation</b>			
Opening balance		1,324,722	2,975,119
Charge for the year		1,766,295	1,696,611
Disposal		-	(3,347,008)
<b>Closing balance</b>		<b>3,091,017</b>	<b>1,324,722</b>
<b>Carrying amount</b>		<b>2,207,869</b>	<b>3,974,164</b>
<b>Useful life</b>		<b>3 years</b>	<b>3 years</b>
<b>14. INTANGIBLE ASSETS</b>			
Trading Right Entitlement Certificate Pakistan Mercantile Exchange Limited - membership card	14.1	2,500,000	2,500,000
		250,000	250,000
		<b>2,750,000</b>	<b>2,750,000</b>

14.1 This represents TREC received by the Company in accordance with the Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012. These have been recorded at notional value determined by PSX.

CAC

	Note	2023 ----- (Rupees)	2022 -----
<b>15. LONG TERM DEPOSITS</b>			
Pakistan Stock Exchange Limited	15.1	12,055,979	13,205,979
National Clearing Company of Pakistan Limited		1,400,000	1,400,000
Pakistan Mercantile Exchange Limited		3,250,000	3,250,000
Central Depository Company of Pakistan Limited		100,000	100,000
Others		1,102,000	882,000
		<u>17,907,979</u>	<u>18,837,979</u>

15.1 This shows the amount placed with Pakistan Stock Exchange Limited as a basic deposit for taking exposure in regular and future market in cash against BMC requirement.

	Note	2023 ----- (Rupees)	2022 -----
<b>16. SHORT TERM INVESTMENT</b>			
<b>Financial assets classified as FVTPL</b>			
Shares of listed companies - carrying amount	16.1	2,575,106	29,946,052
Unrealized gain/(loss) on revaluation of fair value through profit or loss investments		322,468	(2,136,185)
Fair value as at June 30,		<u>2,897,574</u>	<u>27,809,867</u>
<b>Financial assets classified as FVTOCI</b>			
Share of listed companies - carrying amount	16.2	344,601,685	689,813,608
Unrealized (loss) on revaluation of fair value through other comprehensive income		(160,480,823)	(114,330,125)
Fair value as at June 30,		<u>184,120,862</u>	<u>575,483,483</u>
<b>Total Short Term Investment</b>		<u>187,018,436</u>	<u>603,293,350</u>

CAC

16.1 Financial assets classified as fair value through profit and Loss

Number Of Shares 2023	2022	Name of the Company	2023		2022	
			Average Cost	Market Value	Average Cost	Market Value
590	64,000	Attock Cement Pakistan Limited	89,849	85,815	1,305,732	4,256,000
-	85,757	Attock Refinery Limited	-	-	2,736,969	2,769,765
-	38,486	Avancon Limited	-	-	3,090,101	2,990,444
-	23,500	Azgard Mine Limited	-	-	519,812	241,580
38,500	-	Oilroy Energy Limited	303,171	237,645	-	-
-	10,000	Cheat Cement Limited	-	-	908,975	930,400
-	150,000	Caopyco Pak Limited (now BCO Pakistan Ltd)	-	-	809,768	801,800
-	436,000	Dewan Cement Limited	-	-	2,341,831	2,254,400
-	45,000	Dredak Kingsway Limited	-	-	479,021	460,350
-	69,000	Fauji Foods Limited	-	-	463,630	457,470
13,100	-	Fauji Fertilizer Company Limited	1,325,937	1,289,543	-	-
-	65,500	G3 Technologies Limited	-	-	500,640	554,130
-	49,500	Ghani Global Gas Limited	-	-	561,340	546,480
30,848	-	Ghani Gas Limited	-	786,573	-	-
-	253,511	Ghani Global Holdings Limited	-	-	4,244,118	4,185,467
-	9,500	Hascol Petroleum Limited	-	-	84,835	40,090
-	110,000	K Electric Limited	-	-	421,991	334,400
-	50,000	Koh-e-Noor Power Limited	-	-	322,395	202,500
3,944	-	Lotte Chemical Pakistan Limited	111,383	108,539	-	-
-	1,500	Neelcol Technologies Limited	-	-	163,118	149,610
-	20,500	Oil & Gas Development Co Limited	-	-	1,710,511	1,612,735
-	7,500	Pakistan Aluminium Beverages Cart Limited	-	-	315,306	236,475
-	225,000	Pakistan Telecommunications Limited	-	-	1,536,935	1,556,000
10,000	4,550	Searle Pakistan Limited	657,308	343,200	849,179	496,041
161	-	Sai Noorhan Gas Pipelines Limited	7,498	6,339	-	-
-	27,000	TPL Tracker Limited	-	-	550,814	233,590
-	26,000	TRG Pakistan Limited	-	-	2,014,370	2,010,590
-	280,000	Wafatol Telecom Limited	-	-	550,550	372,400
<b>92,851</b>	<b>1,981,804</b>		<b>2,975,104</b>	<b>2,977,574</b>	<b>29,946,852</b>	<b>27,809,857</b>

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16.2 Financial assets carried at Fair value through other comprehensive income

Number of Shares		Name of the Company	2023		2022	
			Average Cost	Market Value	Average Cost	Market Value
486	800	AKD Hospitality Limited	43,472	41,648	127,239	120,360
426	3,099,000	Al-Siraheer Corp Limited	3,868	3,057	27,901,757	28,034,940
2,062,285	2,062,285	Awari Sugar Mills Limited	41,244,826	18,081,876	41,244,026	11,961,876
-	17,376	Azcock Refinery Limited	-	-	3,924,420	3,054,353
-	142,000	Azgard Wire Limited	-	-	3,971,628	1,459,740
-	43,500	Bank Al-Habib Limited	-	-	2,235,421	1,352,000
1,197,599	3,933,143	Caerlyto Pak Limited (newly IPOed Pakistan)	36,347,950	3,969,181	60,062,132	21,062,964
-	154,500	Engro Fertilizers Limited	-	-	11,477,783	13,654,880
30,889	-	Engro Polymer	1,334,541	845,348	-	-
947,880	997,000	First Capital Equities Limited	38,094,280	9,461,538	38,094,380	9,461,530
-	3,330,500	First Capital Sec. Corp Limited	-	-	6,624,651	5,328,860
212,475	219,375	Flying Cement Company Limited	4,166,151	1,179,328	4,283,056	1,525,113
36,180	528,500	Fuel Foods Limited	514,550	117,478	13,265,380	3,503,965
-	145,000	Ghazal Glass Limited	-	-	7,438,666	6,736,990
199,898	282,500	Haseem Petroleum Limited	4,136,378	1,104,458	4,636,516	854,590
-	483,300	Koh-e-Noor Energy Limited	-	-	15,668,460	15,454,080
4,808	276,500	Kot Addu Power Company Limited	141,852	83,388	11,818,085	7,612,045
5,358	4,750	Murree Brewery Company Limited	2,710,878	1,522,508	2,629,644	1,923,783
1,121	86,121	National Refinery Limited	293,028	188,158	17,373,958	16,700,181
498	16,000	Nexel Technologies Limited	44,674	37,265	2,729,295	1,595,840
148	-	Oil & Gas Development Company Ltd	18,014	11,844	-	-
53,808	1,374,900	PACE Pakistan Limited	283,926	107,900	7,345,466	4,150,990
184,808	104,000	Pak Agro Packagings Limited	2,574,080	721,760	2,574,000	1,050,400
-	16,500	Pakistan National Shipping Corporation Limited	-	-	1,308,467	796,230
294	36,500	Pakistan Petroleum Limited	23,467	17,387	4,056,518	2,464,115
2,458	30,000	Pakistan State Oil Company Limited	510,187	314,979	6,772,287	5,155,200
1,932,983	1,932,953	Pakistan Stock Exchange Limited	18,520,164	14,303,832	18,520,154	19,774,109
41,008	41,000	Power Cement Limited	485,088	168,100	405,080	218,120
1,608	33,600	Steel Pakistan Limited	288,328	185,040	5,885,720	3,968,168
245,000	59,460,000	Sak Bank Limited	368,629	385,088	71,123,625	73,162,900
19,000	64,500	Siddique Trn Pkba Limited	115,413	77,098	866,301	682,410
2,580	268,000	Stora Perovide Limited	49,703	30,925	6,611,345	3,821,680
1,080	315,000	Sui Southern Gas Company Limited	16,171	8,588	5,083,745	2,853,900
58,003,880	50,002,500	Summit Bank Limited	167,406,950	87,505,258	167,406,849	112,025,549
-	2,019,500	TPL Tracker Limited	-	-	18,160,560	17,468,675
328,374	2,041,806	TTC Pakistan Limited	26,852,423	49,606,397	68,092,415	157,838,727
1,813	930,168	Unity Foods Limited	23,381	33,833	24,180,638	19,940,910
120,808	1,250,000	World Telecom Limited	522,132	258,700	4,778,131	1,662,500
<b>88,132,849</b>	<b>135,648,577</b>		<b>344,682,685</b>	<b>184,128,862</b>	<b>689,813,838</b>	<b>375,483,487</b>

etc

- 16.3 Fair value of shares pledged with banking companies against various short term running finance facilities as at June 30, 2023 amounted to Rs. 893.70 million (2022: Rs. 1,052.46 million). Total value of pledged securities with financial institutions indicating separately securities belonging to customers and Company are as under:

	June 30, 2023		June 30, 2022	
	No. of securities	Amount (Rupees)	No. of securities	Amount (Rupees)
Customers	188,068,718	745,357,803	114,757,820	545,231,317
Company	82,807,147	148,348,888	97,986,070	507,233,702
	<u>238,875,865</u>	<u>893,706,691</u>	<u>212,743,890</u>	<u>1,052,465,019</u>

17. **TRADE DEBTS**

Receivable from client on behalf of;  
Purchase of shares on behalf of clients  
Money market and Forex Brokerage

Note ----- 2023 (Rupees) ----- 2022

	<b>1,671,004,225</b>	<b>1,234,620,866</b>
	<b>5,621,952</b>	<b>6,677,510</b>
	<b>1,676,626,177</b>	<b>1,241,298,376</b>
Considered doubtful	-	-
	<b>1,676,626,177</b>	<b>1,241,298,376</b>
Provision for expected credit losses	17.1 <b>(16,513,282)</b>	<b>(16,513,282)</b>
	<b>1,660,112,895</b>	<b>1,224,785,094</b>

- 17.1 **Provision against expected credit losses**

Opening  
Charge for the year  
Closing

	<b>16,513,282</b>	<b>11,513,282</b>
	-	<b>5,000,000</b>
	<b>16,513,282</b>	<b>16,513,282</b>

- 17.2 **Treatment of amount receivable from customers**

Trade debts and other receivables are stated initially at fair value and subsequently measured 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.

- 17.3 The Company have equity securities under custody having fair value of Rs. 2.977 billion (30 June 2022: Rs. 1.501 billion) owned by its clients as collaterals against trade debts. The aging analysis of the trade receivable from equity clients as at the reporting date is as follows:

	June 30, 2023		June 30, 2022	
	Gross	Impairment	Gross	Impairment
	(Rupees)			
Past due 1 day - 30 days	1,351,001,547	-	1,128,083,282	-
Past due 31 days - 60 days	108,956,729	-	14,905,528	-
Past due 61 days to 90 days	39,668,796	-	2,282,161	-
Past due 91 days to 180 days	8,798,113	-	5,499,929	-
Past due 180 days	161,569,048	16,513,282	83,889,966	16,513,282
Total	<u>1,671,004,225</u>	<u>16,513,282</u>	<u>1,234,620,866</u>	<u>16,513,282</u>

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- 17.4 This includes an amount of Rs. 724 (2022: Rs. Nil) receivable from related parties of the Company. The breakup of which is as follows:

Name of client	2023	2022
	(Rupees)	
Mr. Pervez Mirza Chaghtai	529	-
Mr. Safeer Ahmad	195	-
	<u>724</u>	<u>-</u>

**18. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

Advances to staff - secured		14,819,672	10,623,892
Trade deposit	18.1	39,195,451	12,582,180
Prepayments		692,110	1,177,997
Other deposits and receivables		<u>6,471,774</u>	<u>3,886,557</u>
		<u>61,179,007</u>	<u>28,270,626</u>

- 18.1 This represent deposit with National Clearing Company Pakistan Limited against the exposure margin in respect of trade in future and ready market. These deposits carry profits at rates ranging from 4.5% to 15% (2022: 4.5% to 11%)

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	Note	2023 ----- (Rupees) -----	2022 -----
<b>19. CASH AND BANK BALANCES</b>			
Cash in hand		1,662,472	1,321,768
At banks:			
- Client accounts (current)		88,121,087	89,535,991
- Current accounts		2,415,471	7,552,839
- Saving accounts	19.1	1,483,462	824,683
		<u>93,682,492</u>	<u>99,235,281</u>
19.1	The interest rates on saving accounts range from 6% to 20% per annum (2022: 6% to 10%).		
19.2	Detail of customer assets held in designated bank accounts and CDC are as follows:		
		2023 ----- (Rupees) -----	2022 -----
Customers assets held in the designated bank accounts		88,121,087	89,535,991
Customers assets held in the CDC (in numbers)		<u>789,235,230</u>	<u>647,671,644</u>
<b>20. OPERATING REVENUE</b>	Note		
Equity Brokerage commission		105,917,845	151,447,341
Inter-bank brokerage commission		16,997,023	19,969,421
Sales tax on income		(15,978,933)	(19,719,839)
		<u>106,935,935</u>	<u>151,696,923</u>
<b>21. ADMINISTRATIVE AND OPERATING EXPENSE</b>			
Salaries, benefits and other allowances	21.1	81,703,870	90,666,301
Fee for directors meetings		225,000	125,000
Insurance		986,419	861,180
Utilities		3,634,352	3,233,760
Printing and stationery		1,061,215	1,014,601
Entertainment		2,019,964	2,509,822
Communication		6,166,690	5,131,187
Vehicle running		5,032,241	4,931,017
Repairs and maintenance		4,546,442	4,936,289
Travelling and conveyance		936,040	1,146,680
Depreciation on right-of-use asset		1,766,295	1,696,611
Legal and professional charges		18,783,307	16,479,342
Fee and subscriptions		2,629,102	2,434,022
Auditors' remuneration	21.2	646,160	537,050
Rent, rates and taxes		6,948,284	5,283,545
Depreciation		4,273,585	4,318,245
Transaction and settlement cost		9,154,735	13,206,785
Business promotion		5,060,795	7,117,270
Donations and charity	2.3	-	2,770,330
Provision for bad debts expense		-	4,149,670
Miscellaneous		3,667,531	1,381,725
		<u>159,242,027</u>	<u>173,930,432</u>
21.1	This include remuneration to Chief Executive Officer amounting to Rs 2,520,000 (2022: Rs. 3,320,870).		

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	Note	2023 ----- (Rupees) -----	2022 -----
21.2	<b>Auditors' remuneration</b>		
	Statutory audit fee	552,000	460,000
	Sindh sales tax @ 8% (2022: 8%)	44,160	36,800
	Out-of-pocket expenses	50,000	40,250
		<u>646,160</u>	<u>537,050</u>

21.3 Donations do not include any donee in whom any director or his spouse has any interest.

	Note	2023 ----- (Rupees) -----	2022 -----
22.	<b>FINANCE COST</b>		
	Markup on short term borrowings	240,441,908	164,201,288
	Markup on long term borrowings	-	5,135,893
	Markup on lease liability	191,740	373,944
	Bank charges	495,847	204,026
		<u>241,129,495</u>	<u>169,915,151</u>

	Note	2023 ----- (Rupees) -----	2022 -----
23.	<b>OTHER INCOME</b>		
	<b>Income from financial assets</b>		
	Return on short term investment	21,756	-
	Return on margin financing & MTS	5,247,714	9,661,423
	Dividend Income	11,720,480	10,710,109
	Return on cash margins with PSX & PMEX	5,089,351	1,902,113
	Profit from profit and loss sharing account	161,077	88,235
		<u>22,240,378</u>	<u>22,361,880</u>
	<b>Income from non-financial assets</b>		
	Gain/(loss) on disposal of fixed assets	1,711,866	(15,170)
		<u>23,952,244</u>	<u>22,346,710</u>

#### 24. TAXATION

24.1 The Company has filed income tax return for the tax year 2022 (financial year ended June 30, 2022) which is deemed to have been assessed under the Income Tax Ordinance, 2001 unless selected by the taxation authorities for audit purposes.

24.2 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income falls under minimum tax regime of the Income Tax

#### 25. EARNINGS PER SHARE - BASIC AND DILUTED

		2023	2022
Profit after taxation for the year	Rupees	<u>21,684,304</u>	<u>68,644,559</u>
Weighted average number of ordinary shares	Number of shares	<u>14,413,600</u>	<u>14,413,600</u>
Earning per share	Rupees	<u>1.50</u>	<u>4.76</u>
25.1	<b>Diluted earnings per share</b>		

There is no dilutive effect on the basic earnings per share of the Company, since there are no convertible instruments in issue as at June 30, 2023 and June 30, 2022 which would have any effect on the earnings per share.

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## 26. REMUNERATION OF THE CHIEF EXECUTIVE AND DIRECTORS

The aggregate amounts charged in these financial statements in respect of remuneration including benefits applicable to the Chief Executive, Directors and Executives of the Company are given below:

	2023			2022		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees)					
Managerial remuneration	2,528,000	-	29,167,994	3,326,870	-	27,817,689
Fee for attending meetings	58,000	175,000	-	25,000	100,000	-
	<u>2,578,000</u>	<u>175,000</u>	<u>29,167,994</u>	<u>3,345,170</u>	<u>100,000</u>	<u>27,817,689</u>

- 26.1 The Chief Executive Officer is provided with the Company maintained car, in accordance with the Company's policy.

## 27 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

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

### 27.1 Credit risk

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

#### Exposure to credit risk

Credit risk of the Company arises principally from trade debts, loans and advances, trade deposits, bank balances 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 accordingly to their 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.

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The Company's management, as part of risk management policies and guidelines, reviews clients' financial position, considers past experience, obtain authorized approvals and arrange for necessary collaterals in the form of equity securities to reduce credit risks and other factors. These collaterals are subject to market risk as disclosed in note 17.4 which ultimately affects the recoverability of trade debts. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The maximum exposure to credit risk at the reporting date is as follows:

Note	Carrying amount	
	2023	2022
	(Rupees)	
Long term deposits	17,907,979	18,837,979
Short term investment	187,018,436	603,293,350
Receivable against Margin Financing Transactions	11,215,526	24,189,685
Trade debts	1,660,112,895	1,224,785,094
Advances, deposits and other receivables	61,179,007	28,270,626
Bank balances	92,020,020	97,913,513
	<b>2,029,453,863</b>	<b>1,997,290,248</b>

**27.1.1** The aging of trade debts has been disclosed in note 17.4 to the financial statements. No impairment has been recognized except as disclosed in respect of these debts as the security against the same is adequate or counter parties have sound financial standing.

All balances are denominated in local currency.

**27.1.2 Bank balances**

The credit quality of the Company's cash and cash equivalents, held with various commercial banks and financial institutions is assessed with reference to external credit ratings thereof, ranging from AAA+ to A+ assigned by reputable credit rating agencies.

**Credit rating and Collaterals**

Bank balances are only held with reputable banks having sound credit ratings. The credit quality of company's bank balances can be assessed with reference to external credit rating agencies are as follows:

	Rating Agency	Long Term Rating	Short Term Rating	Rupees	%
Askari Bank Limited	PACRA	AA+	A1+	43,103,890	46.84%
Bank Al Falah	PACRA	AA+	A1+	3,624,354	3.94%
Bank Al Habib	PACRA	AAA	A1+	326,431	0.35%
Bank Istari Limited	PACRA	AA-	A1	107,035	0.12%
Bank Of Khyber	VIS	A+	A-1	134,164	0.15%
Dubai Islamic Bank	VIS	AA	A-1+	9,917,685	10.78%
Faysal Bank Limited	VIS	AA	A-1+	313,030	0.34%
Habib Bank Limited	VIS	AAA	A-1+	10,944,721	11.89%
Habib Metropolitan Bank	PACRA	AA+	A1+	2,535,013	2.75%
JS Bank Limited	PACRA	AA-	A1+	194,776	0.21%
MCB Bank Limited	PACRA	AAA	A1+	3,581,517	3.89%
				<b>92,020,020</b>	

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**27.2 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulties in raising funds to meet commitments associated with financial liabilities as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to the dynamic nature of the business. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines available. The following are the contractual maturities of financial liabilities:

Carrying amount	2023				
	Contractual cash flows	Less than six months	Up to one year	One to five years	More than five years
Rupees					
<b>Financial liabilities</b>					
Trade creditors, accrued and other	353,061,393	353,061,393	353,061,393	-	-
Accrued mark-up	69,570,789	69,570,789	69,570,789	-	-
Short term borrowings	1,403,578,497	1,403,578,497	1,403,578,497	-	-
Lease liability	1,898,987	1,898,987	1,898,987	505,518	-
	<b>1,828,109,666</b>	<b>1,828,109,666</b>	<b>1,828,109,666</b>	<b>505,518</b>	<b>-</b>
Carrying amount	2022				
	Contractual cash flows	Less than six months	Up to one year	One to five years	More than five years
Rupees					
<b>Financial liabilities</b>					
Trade creditors, accrued and other	551,153,830	551,153,830	551,153,830	-	-
Accrued mark-up	40,810,976	40,810,976	40,810,976	-	-
Short term borrowings	1,170,647,291	1,170,647,291	1,170,647,291	-	-
Lease liability	1,716,346	1,716,346	1,716,346	2,404,506	-
	<b>1,764,328,443</b>	<b>1,764,328,443</b>	<b>1,764,328,443</b>	<b>2,404,506</b>	<b>-</b>

**27.3 Market risk**

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer of the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company manage market risk by monitoring exposure on marketable securities by following the Internal risk management and investment policies and guidelines. The Company is exposed to interest rate risk and other price risk only.

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**27.3.1 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:

	Carrying amount	
	2023	2022
	----- (Rupees) -----	
<b>Variable Rate Investment</b>		
- Bank balances in profit and loss sharing accounts	<u>1,483,462</u>	<u>824,683</u>

**Sensitivity analysis**

The Company does not have any variable rate financial instrument at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect the profit or loss.

A summary of the Company's interest rate gap position, categorized by the earlier of contractual re-pricing or maturity dates as at the year end was as follows:

	Rate		Carrying values	
	2023	2022	2023	2022
			----- (Rupees) -----	
<b>Financial assets</b>				
Receivable against margin financing	16% to 29%	10% to 18%	11,215,526	24,189,686
Bank balances	6% to 20%	6% to 10%	<u>1,483,462</u>	<u>824,683</u>
			<u>12,698,988</u>	<u>25,014,369</u>
<b>Financial liabilities</b>				
Short term borrowing	16% to 25%	6% to 12%	<u>1,403,571,497</u>	<u>1,170,647,291</u>
			<u>1,403,571,497</u>	<u>1,170,647,291</u>
<b>Cumulative gap</b>			<u>(1,390,872,509)</u>	<u>(1,145,632,922)</u>

**27.3.2 Price risk**

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

The Company's investments in listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Company manages the risk through portfolio diversification, as per recommendation of Investment Committee of the Company. The Committee regularly monitors the performance of investees and assess their financial performance on an on-going basis.

**27.3.3 Currency risk**

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

## 27.4 Operational risk

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

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

- requirements for appropriate segregation of duties between various functions, roles
- requirement for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirement for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

## 27.5 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in these financial statements approximate to their fair value.

The Company measures fair value of its financial and non-financial assets that are measured at 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 assets that are traded in active markets are based on quoted market prices.

The following table shows fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy. These financial assets and financial liabilities except, short term investments, long term investments and gratuity provision are carried at carrying value and their fair value is approximate to carrying value.

The provision for gratuity is carried out using actuarial valuation techniques as described in note:7.2 of financial statements.

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Balance Sheet Financial Instruments	June 30, 2023			Fair Value			
	Assets at fair value through profit or loss	Assets at fair value through other comprehensive income	Assets at amortised cost	Total	Level 1	Level 2	Level 3
(Rupees)							
<b>Financial Assets</b>							
Long term deposits	-	-	17,987,879	17,987,879	-	-	-
Short term investments	2,892,574	184,128,862	-	187,021,436	2,892,574	-	-
Reservable against margin finance transactions	-	-	11,225,526	11,225,526	-	-	-
Trade debts	-	-	1,601,112,895	1,601,112,895	-	-	-
Advances, deposits, prepayments and other receivables	-	-	61,179,887	61,179,887	-	-	-
Bank balances	-	-	11,602,892	11,602,892	-	-	-
	<b>2,892,574</b>	<b>184,128,862</b>	<b>1,694,097,699</b>	<b>2,671,118,336</b>	<b>2,892,574</b>	-	-
<b>Financial Liabilities</b>							
Staff retirement benefits	-	-	32,726,000	32,726,000	-	-	32,726,000
Trade creditors, accrued and other liabilities	-	-	251,062,293	251,062,293	-	-	-
Accrued markup	-	-	69,578,789	69,578,789	-	-	-
Short term borrowings	-	-	1,401,578,887	1,401,578,887	-	-	-
Current portion of lease liability	-	-	1,898,987	1,898,987	-	-	-
	-	-	<b>1,706,864,066</b>	<b>1,706,864,066</b>	-	-	<b>32,726,000</b>

Balance Sheet Financial Instruments	June 30, 2022			Fair Value			
	Assets at fair value through profit or loss	Assets at fair value through other comprehensive income	Assets at amortised cost	Total	Level 1	Level 2	Level 3
(Rupees)							
<b>Financial Assets</b>							
Long term deposits	-	-	16,837,939	16,837,939	-	-	-
Short term investments	27,088,867	611,284,258	-	638,373,125	27,088,867	-	-
Reservable against margin finance transactions	-	-	24,889,826	24,889,826	-	-	-
Trade debts	-	-	1,124,765,894	1,124,765,894	-	-	-
Advances, deposits, prepayments and other receivables	-	-	28,278,648	28,278,648	-	-	-
Bank balances	-	-	97,983,513	97,983,513	-	-	-
	<b>27,088,867</b>	<b>611,284,258</b>	<b>1,298,995,819</b>	<b>1,927,367,615</b>	<b>27,088,867</b>	-	-
<b>Financial Liabilities</b>							
Staff retirement benefits	-	-	32,726,000	32,726,000	-	-	32,726,000
Trade creditors, accrued and other liabilities	-	-	51,159,830	51,159,830	-	-	-
Accrued markup	-	-	48,813,976	48,813,976	-	-	-
Short term borrowings	-	-	1,078,642,281	1,078,642,281	-	-	-
Current portion of liability against leased assets	-	-	1,716,286	1,716,286	-	-	-
	-	-	<b>1,213,058,373</b>	<b>1,213,058,373</b>	-	-	<b>32,726,000</b>

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**28. CAPITAL RISK MANAGEMENT**

The primary objective of the Company's capital management is to maintain healthy capital ratios and optimal capital structures 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 adjustments to it, in light of changes in economic conditions. Furthermore, 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 minimise risk.

Net capital requirements of the Company are set and regulated by PSX. These requirements are put in place to ensure sufficient solvency margins and are based on excess of current assets over current liabilities. The Company manages its net capital requirements by assessing its capital structure against required capital level on a regular basis.

**29. BASE MINIMUM CAPITAL**

In compliance with the Regulation 19.3 of the Rule Book of Pakistan Stock Exchange Limited, every Trading Right Entitlement Certificate (TREC) holder registered as a broker under Securities Brokers (Licensing and Operations) Regulations, 2016 is required to maintain a Base Minimum Capital (BMC) in the amount and form as prescribed in the Rule on the basis of Assets Under Custody (AUC). As per the said regulation, as at 30 June 2023, the Company is required to maintain BMC of Rs. 27.17 million.

The notional value of TREC, cash deposit and breakup value of shares for the purpose of BMC is determined by PSX as under:

Trading Right Entitlement	14.1	2,500,000
Cash Deposit	15.1	12,055,979
Securitized PSX Shares		15,394,695
		<u>29,950,674</u>

**30. Capital Adequacy Level**

		2023	2022
		----- (Rupees) -----	
Total assets	30.1	2,106,774,544	2,072,225,041
Total liabilities		(1,865,018,925)	(1,799,438,949)
Revaluation reserve created upon revaluation of fixed assets		-	-
		<u>241,755,619</u>	<u>272,786,092</u>

**30.1** While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate held by Pearl securities limited as at year ended 30 June 2023 as determined by Pakistan Stock Exchange has been considered.

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## 31 Computation of Liquid Capital

Sr No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
<b>1. Assets</b>				
1.1	Property & Equipment	40,009,514	100%	-
1.2	Intangible Assets	4,957,869	100%	-
1.3	Investment in Govt. securities	-	-	-
1.4	Investment in debt securities			
	Listed	-	-	-
	Unlisted	-	-	-
1.5	Investment in equity securities	187,018,436	60,985,432	126,033,005
1.6	Investment in subsidiaries	-	-	-
1.7	Investment in associated companies/un dertaking	-	-	-
1.8	Statutory or regulatory deposits/ basic deposits with exchanges, clearing house or central depository or any other entity		-	-
1.9	Margin deposits with exchange and clearing house	39,195,451	0%	39,195,451
1.10	Deposit with authorized intermediary against borrowed securities under SLB	-	-	-
1.11	Other deposits and prepayments	55,762,689	100%	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.	-	-	-
1.13	Dividends receivables	-	-	-
1.14	Amount receivable against Repo financing	-	-	-
1.15	Advances and Receivables other than trade receivables		-	-
	i. Short term loan to employees	14,819,672	-	14,819,672
	ii. Advance tax	-	-	-
	iii. Other advances & receivables		100%	
1.16	Receivables from clearing house or securities exchange(s)	-	-	-
1.17	Receivables from customers			
	i. Margin financing	11,215,526	3,812,860	7,402,666
	ii. Margin trading		-	-
	iii. Securities borrowing		-	-
	iv. Other receivables <5 days	1,011,010,535	-	1,011,010,535
	v. Other receivables >5 days	649,102,360	6,608,670	642,493,690
	vi. Related parties			
	- < or = 30 days	-	-	-
	- >30 and <90 days	-	-	-
	- > 90 days	-	-	-
1.18	Cash and bank Balances			
	i. Proprietary accounts	3,898,933	-	3,898,933
	ii. Customers accounts	88,121,087	-	88,121,087
	iii. Cash in hand	1,662,472	-	1,662,472
1.19	Subscription money against investment in IPO/ offer for sale (asset)	-	-	-
1.20	<b>Total Assets</b>	<b>2,106,774,545</b>		<b>1,934,637,511</b>

<b>2. Liabilities</b>			
<b>2.1</b>	<b>Trade payables</b>		
	i. Exchanges & clearing house	5,836,303	5,836,303
	ii. Leveraged market products	-	-
	iii. Customers	81,408,448	81,408,448
<b>2.2</b>	<b>Current Liabilities</b>		
	i. Statutory & regulatory dues	296,678	296,678
	ii. Accruals & other payables	267,418,951	267,418,951
	iii. Short term borrowings	1,473,149,286	1,473,149,286
	iv. Current portion - subordinated loan	-	-
	v. Current portion - long term liabilities	-	-
	vi. Deferred liabilities	-	-
	vii. Provision for taxation	2,697,741	2,697,741
	viii. Other liabilities as per accounting principles and included in the financial statements	-	-
<b>2.3</b>	<b>Non-current liabilities</b>	34,211,518	34,211,518
<b>2.4</b>	<b>Subordinated Loans</b>	-	-
<b>2.5</b>	<b>Advance against shares for increase in capital of securities broker</b>	-	-
<b>2.6</b>	<b>Total Liabilities</b>	<b>1,865,018,925</b>	<b>1,830,807,407</b>
<b>3. Ranking Liabilities relating to</b>			
<b>3.1</b>	<b>Concentration in margin financing</b>	-	7,402,666
<b>3.2</b>	<b>Concentration in securities lending and borrowing</b>	-	-
<b>3.3</b>	<b>Net underwriting Commitments</b>	-	-
<b>3.4</b>	<b>Negative equity of subsidiary</b>	-	-
<b>3.5</b>	<b>Foreign exchange agreements and foreign currency positions</b>	-	-
<b>3.6</b>	<b>Amount payable under REPO</b>	-	-
<b>3.7</b>	<b>Repo adjustment</b>	-	-
<b>3.8</b>	<b>Concentrated proprietary positions</b>	-	6,855,282
<b>3.9</b>	<b>Opening Positions in futures and options</b>	-	-
<b>3.10</b>	<b>Short sell positions</b>	-	-
<b>3.11</b>	<b>Total Ranking Liabilities</b>	-	<b>14,257,948</b>

**Calculations Summary of Liquid Capital**

(i) Adjusted value of Assets (serial number 1.20)

**1,934,637,511**

(ii) Less: Adjusted value of liabilities (serial number 2.6)

**(1,830,807,407)**

(iii) Less: Total ranking liabilities (serial number 3.11)

**(14,257,948)****Liquid Capital Balance****89,572,155**

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**32. SHARES OF CLIENTS APPEARING IN CDC HOUSE ACCOUNT**

	<b>2023</b>		
	Shares appearing in CDC House A/C	Shares of the Company	Shares of the clients held by the Company
	-----No. of shares-----		
AKD Hospitality Limited <i>(formerly AKD Capital Ltd)</i>	200,000	-	200,000
TRG Pakistan Limited	<u>539,930</u>	<u>538,374</u>	<u>1,556</u>
	<u>739,930</u>	<u>538,374</u>	<u>201,556</u>
	<b>2022</b>		
	Shares appearing in CDC House A/C	Shares of the Company	Shares of the clients held by the Company
	-----No. of shares-----		
AKD Hospitality Limited <i>(formerly AKD Capital Ltd)</i>	200,000	-	200,000
TRG Pakistan Limited	<u>2,042,662</u>	<u>2,041,106</u>	<u>1,556</u>
	<u>2,242,662</u>	<u>2,041,106</u>	<u>201,556</u>

**33. BALANCES WITH RELATED PARTIES**

Related parties comprise directors and their close family members, major shareholders of the Company, key management personnel and other companies under common management. Transactions with related parties are on arm's length. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment. Remuneration of chief executive, directors and executives are disclosed in note 26 to these financial statements. Payable to related parties are disclosed in note 9.1 to these financial statements.

**34. OPERATING SEGMENTS**

These financial statements have been prepared on the basis of a single reportable segment which is consistent with the internal reporting used by the chief operating decision-maker.

The Chief operating decision maker is responsible for allocating resources and assessing performance of operating segments.

The internal reporting provided to chief operating decision maker relating to company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

There were no changes in the reportable segments during the year.

All non-current assets of the Company as at June 30, 2023 are located in Pakistan.

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**35. DISCLOSURE UNDER REGULATION 5(4) OF RESEARCH ANALYST REGULATIONS, 2015**

At present, the company employs 4 members (2022: 4) in its research department including one Head of Research, two Analysts and one Database Officer. All members report to Head of Research who in turn reports to CEO.

Compensation structure of research analysts is flat and is subject to qualification, experience and skillset of the person. However, the compensation of anyone employed in the research department does not in any way depend on the contents / outcome of research report.

During the year ended 30 June 2023, the personnel employed in the Research Department have drawn an aggregate salary and benefits amounting to Rs. 5.42 million (2022: Rs. 6.38 million), which comprises basic salary, medical allowances, gratuity and other benefits as per Company policy.

**36. NUMBER OF EMPLOYEES**

	2023 ----- Number -----	2022
Total number of employees at the June 30	<u>62</u>	<u>74</u>
Average number of employees during the year	<u>64</u>	<u>68</u>

**37. GENERAL**

The corresponding figures have been rearranged / reclassified, wherever necessary, for better presentation.

**38. AUTHORIZATION FOR ISSUANCE**

These financial statements have been authorized for issue by the Board of Directors of the Company on 31 OCT 2023.

*GC*  
  
**CHIEF EXECUTIVE**

  
**DIRECTOR**