

Annual Report 2023



Table of Contents

1. COMPANY INFORMATION	03
2. NOTICE OF ANNUAL GENERAL MEETING	04
3. FINANCIAL HIGHLIGHTS	07
4. CHAIRMANS' REPORT	08
5. DIRECTORS' REPORT	09
6. REVEIEW REPORT ON STATEMENT OF COMPLIANCE.....	18
7. STATEMENT OF COMPLIANCE WITH THE COURT OF CORPORATE GOVERNERS	19
8. AUDITORS' REPORT TO THE MEMBERS	23
9. STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2022	28
10. STATEMENT OF PROFIT & LOS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2022	29
11. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2022	30
12. CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2022	31
13. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2022	32
14. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022	33
15. PATTERN OF SHAREHOLDING FORM 34 SHAREHOLDERS' STATISTICS	67/68
16. PROXY FORM	69

VISION

To become the preferred Financial Services provider in Pakistan, assisting Individuals, Companies and Financial Institutions find optimal Capital Markets related solutions

MISSION

To offer a wide range of products and services in a transparent manner with an emphasis on integrity and client confidentiality

To provide customers with complete and innovative solutions by using the best minds and technology

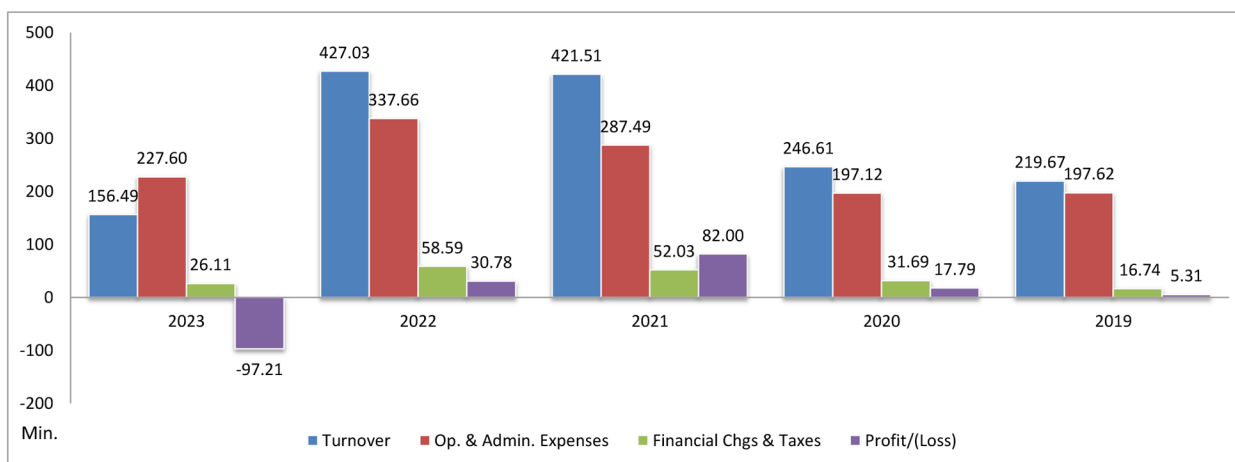
COMPANY INFORMATION

Board of Directors	<p>Lt. Gen. Tariq Waseem Ghazi (Retd.) Mr. Muhammad Najam Ali Mrs. Hanna Khan Mr. M. Zulqarnain Mahmood Khan Mr. Ali Akhtar Ali Mr. Malik Khurram Shahzad Mr. Hasan Sahanawaz</p>	<p>Non-Executive Director, Independent Director, Chairman Executive Director, Chief Executive Officer Non-Executive Director Non-Executive Director Executive Director Non-Executive Director Non-Executive Director</p>
Audit Committee	<p>Mr. Hasan Shahnawaz Mr. M. Zulqarnain Mahmood Khan Mr. Ali Akhtar Ali M. Rizwan Yousuf</p>	<p>Chairman, Independent Director Member Member Head of Internal Audit - Secretary</p>
Human Resource & Remuneration Committee	<p>Mr. Hasan Shahnawaz Mr. M. Zulqarnain Mahmood Khan Mrs. Hanna Khan</p>	<p>Chairman, Independent Director Member Member</p>
Chief Financial Officer	<p>Mr. Mohammad Omair Rashid</p>	
Company Secretary	<p>M. Rizwan Yousuf</p>	
Head of Internal Audit	<p>M. Rizwan Yousuf</p>	
External Auditors	<p>Baker Tilly Mehmood Idrees Qamar Chartered Accountants 4th Floor, Central Hotel Building, Civil Lines, Merewather Road, Karachi</p>	
Bankers	<p>Askari Bank Limited Bank Alfalah Limited Bank of Punjab Bank Al Habib Faysal Bank Limited Habib Metropolitan Bank Limited JS Bank Limited MCB Bank Limited Meezan Bank Limited MCB Islamic Bank Habib Bank Limited Sindh Bank Limited United Bank Limited</p>	
Tax Advisors	<p>Junaidy, Shoaib, Asad & Co. Chartered Accountants 1/6-P, Block 6, PECHS, Mohtarma Laeeq Begum Road Off Shahrah-e-Faisal, Karachi</p>	
Legal Advisors	<p>Mohsin Tayebaly & Co. Barristers & Advocates 2nd Floor Dime Centre, BC-4 Block 9 KDA Scheme 5, Clifton, Karachi</p>	
Rating Company	<p>JCR-VIS Credit Rating Company Limited</p>	
Share Registrar	<p>Digital Custodian Company Limited Perdesi House, Queens Road Karachi</p>	
Registered Office	<p>2nd Floor, Imperial Court Building, Dr. Ziauddin Ahmed Road, Karachi</p>	

FINANCIAL AND OPERATING HIGHLIGHTS

Year ended 30 June

	2023	2022	2021	2020	2019
----- Rupees in Thousands -----					
Profit and Loss Account					
Operating revenue	119,203	417,290	368,170	195,817	174,309
Investment gains - net	(3,229)	(37,831)	13,362	(1,676)	5,250
Other income	40,517	47,568	39,980	52,465	40,107
Total Turnover	156,492	427,027	421,512	246,606	219,666
Balance Sheet					
Operating & administrative expenses	227,596	337,662	287,488	197,121	197,622
Financial cost	18,548	26,069	22,970	13,008	6,319
Profit/(loss) before taxation	(89,652)	63,295	111,054	36,477	15,725
Profit/(loss) after taxation	(97,214)	30,779	81,998	17,794	5,307
Share capital	569,250	495,000	495,000	450,000	450,000
Reserves	91,203	80,260	49,482	(43,023)	(54,945)
Share holders equity - net of discount on issue of shares	428,047	525,260	494,482	406,977	395,055
Long term liabilities	25,400	22,796	31,322	32,614	-
Current assets	603,054	965,156	1,044,111	659,265	735,762
Current liabilities	363,372	602,491	673,698	344,509	430,867
Total assets	816,818	1,150,547	1,199,501	784,099	825,922
Total liabilities	388,771	625,287	705,020	377,122	430,867
RATIOS					
Performance					
Net Profit/(loss) Margin (%)	-81.6%	7.4%	22.3%	9.1%	3.0%
Profit/(loss) before tax (%)	-75.2%	15.2%	30.2%	18.6%	9.0%
Expense/income (%)	190.9%	80.9%	78.1%	100.7%	113.4%
Return on equity (%)	-22.7%	5.9%	16.6%	4.4%	1.3%
Price Earning (%)	-23.1%	7.0%	11.3%	4.8%	2.0%
Leverage					
Debt to equity (%)	35.0%	28.6%	38.8%	46.7%	50.6%
Interest cover (x)	(3.83)	3.43	5.11	1.35	(1.36)
Liquidity					
Current (x)	1.66	1.60	1.55	1.91	1.71
Earning Per Share (EPS) - values before 2022 restated					
	(1.71)	0.54	1.66	0.36	0.11
Breakup Value/Net Assets per share - values before 2022 restated					
	7.52	9.23	9.99	8.22	7.98
Market Value Per Share					
	7.40	7.77	14.72	7.48	5.30



NOTES

- i. The Share Transfer Books of the Company will remain closed from 18, October, 2023 to 25, October, 2023 (both days inclusive). Transfers received in order by the Shares Registrar of the Company, M/s. Digital Custodian Company Limited (DCCL), Perdesi House, Old Queens Road, Karachi up to the close of business on October 17, 2023 will be treated in time for the purpose of attending the Annual General Meeting.
- ii. A member entitled to attend and vote at this meeting may appoint another member as his or her proxy to attend and vote. Proxies in order to be effective, must be received at M/s. Digital Custodian Company Limited (DCCL), Perdesi House, Old Queens Road, Karachi not later than forty-eight hours before the time of the meeting and must be duly stamped, signed and witnessed.
 - a. Members, proxies or nominees shall authenticate their identity by showing their original Computerized National Identity Card (CNIC) or original passport and bring their folio numbers at the time of attending the meeting.
 - b. In the case of corporate entity, Board of Directors' resolution/Power of Attorney and attested copy of the CNIC or passport of the nominee shall also be produced (unless provided earlier) at the time of meeting.
 - c. In order to be effective, the proxy forms must be received at the office of our Share Registrar no later than 48 hours before the meeting, duly signed and stamped and witnessed by two persons with their names, addresses, CNICs' numbers and signatures.
 - d. In the case of individuals, attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - e. In the case of proxy by a corporate entity, Board of Directors resolution/Power of Attorney and attested copy of the CNIC or passport of the proxy shall be submitted along with proxy form.
 - f. Beneficial owners of the physical shares and whose shares are deposited with Central Depository Company of Pakistan Limited (CDC) are requested to bring their original Computerized National Identity Card (CNIC) along with participant's I.D., number and their account/sub-account number in CDC to facilitate identification at the time of the meeting.
 - g. In case of proxy, attested copies of proxy's CNIC or passport, account/subaccount and participant's I.D. numbers must be deposited along with the Form of Proxy at the Share Registrar of the Company as per paragraph No. ii above, duly witnessed by two persons whose names, addresses and CNICs' numbers must be mentioned on the proxy form and attested photocopies of CNIC or the passport of the beneficial owner.
 - h. In case of proxy for corporate members, the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominee shall be produced at the time of meeting (unless it has been provided earlier to the Shares Registrar).
- iii. Physical transfers and deposit request under Central Depository System received at the close of

the business on October 17, 2023 by the Company's Share Registrar will be treated as being in time for entitlement to attend, participate in and vote at the meeting.

- iv. Members are requested to submit copies of their CNICs and promptly notify any change in address by writing to the office of the Share Registrar.
- v. The Securities & Exchange Commission of Pakistan (SECP) vide its Notification # SMD/SE/2(20)/2021/117 dated December 15th, 2021 has instructed to hold the general meeting physically and virtually to ensure the maximum participation by the members. Therefore, the Company is holding the AGM meeting both physically at Head Office and through electronic means via Zoom.
- vi. To attend and participate in the 14th AGM of the Company through video link arrangement, members are requested to complete identification and verification formalities i.e. provide their names, CNICs scanned (both sides), folio numbers, cell phone numbers and email addresses on or before October 20th, 2023 by 5:00 p.m. at the following email address i.e. co.secretary@nextcapital.com.pk. The video link of meeting will be sent to the members on their email addresses.
- vii. Upon receipt of the above information from interested shareholders / members, the Company will send the login credentials at their email address. On the date of AGM, shareholders will be able to login participate in the AGM proceedings through their smartphone/computer devices.
- viii. The Securities and Exchange Commission of Pakistan has issued a letter No. CSD/ED/Misc./2016-639-640 dated March 26, 2021 addressed to all listed companies drawing attention towards the provision of Section 72 of the Companies Act, 2017 (Act) which requires all companies to replace shares issued by them in physical form with shares to be issued in the Book-Entry-Form within a period not exceeding four years from the date of the promulgation of the Act. In order to ensure full compliance with the provisions of the aforesaid Section 72 and to benefit from the facility of holding shares in the Book-Entry-Form, the shareholders who still hold shares in physical form are requested to convert their shares in the Book-Entry-Form.
- ix. Pursuant to Companies (Postal Ballot) Regulations 2018, members will be allowed to exercise their right of vote through postal ballot that is voting by post or through any electronic mode, in accordance with the requirements and procedure in aforesaid regulations. The details of the same will be provided later.
- x. Shareholders can also provide their comments/suggestions for the proposed agenda items of the AGM on the email: co.secretary@nextcapital.com.pk
- xi. Members are requested to immediately notify the change, if any, in their registered address/contacts numbers to Share Registrar address: M/s. Digital Custodian Company Limited, Perdesi House, Old Queens Road, Karachi. Tel: +92 21 32419770, +92 21 32430485.



**STATEMENT OF MATERIAL FACTS CONCERNING SPECIAL BUSINESS PURSUANT TO
SECTION 134 (3) OF THE COMPANIES ACT, 2017**

Agenda no. 5

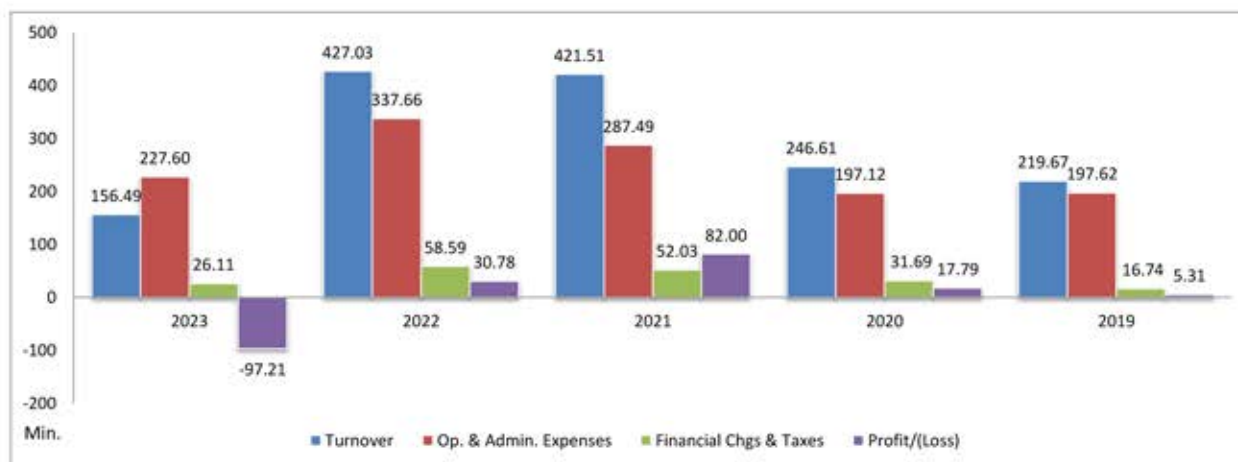
The SECP has allowed listed companies, through its SRO No. 389(I)/2023 dated March 21, 2023, to circulate the annual audited financial statements, to the members of the Company through QR-enabled code and weblink (instead of CD/DVD/USB), subject to approval of shareholders in the annual general meeting. Where an email address has been provided by the shareholder, the Company shall circulate annual audited financial statements to the member through email. A shareholder may request the Company to provide a hard copy of the annual audited financial statements, and the same shall be provided at the shareholder's registered address free of cost, upon receipt of a duly completed request form, as available on the Company's website, www.nextcapital.com.pk

None of the Directors of the Company have any personal interest in the aforesaid Special Business except in their capacity as Shareholders or Directors of the Company.

FINANCIAL AND OPERATING HIGHLIGHTS

Year ended 30 June

	2023	2022	2021	2020	2019
----- Rupees in Thousands -----					
Profit and Loss Account					
Operating revenue	119,203	417,290	368,170	195,817	174,309
Investment gains - net	(3,229)	(37,831)	13,362	(1,676)	5,250
Other income	40,517	47,568	39,980	52,465	40,107
Total Turnover	156,492	427,027	421,512	246,606	219,666
Operating & administrative expenses					
Operating & administrative expenses	227,596	337,662	287,488	197,121	197,622
Financial cost	18,548	26,069	22,970	13,008	6,319
Profit/(loss) before taxation	(89,652)	63,295	111,054	36,477	15,725
Profit/(loss) after taxation	(97,214)	30,779	81,998	17,794	5,307
Balance Sheet					
Share capital	569,250	495,000	495,000	450,000	450,000
Reserves	91,203	80,260	49,482	(43,023)	(54,945)
Share holders equity - net of discount on issue of shares	428,047	525,260	494,482	406,977	395,055
Long term liabilities	25,400	22,796	31,322	32,614	-
Current assets	603,054	965,156	1,044,111	659,265	735,762
Current liabilities	363,372	602,491	673,698	344,509	430,867
Total assets	816,818	1,150,547	1,199,501	784,099	825,922
Total liabilities	388,771	625,287	705,020	377,122	430,867
RATIOS					
Performance					
Net Profit/(loss) Margin (%)	-81.6%	7.4%	22.3%	9.1%	3.0%
Profit/(loss) before tax (%)	-75.2%	15.2%	30.2%	18.6%	9.0%
Expense/income (%)	190.9%	80.9%	78.1%	100.7%	113.4%
Return on equity (%)	-22.7%	5.9%	16.6%	4.4%	1.3%
Price Earning (%)	-23.1%	7.0%	11.3%	4.8%	2.0%
Leverage					
Debt to equity (%)	35.0%	28.6%	38.8%	46.7%	50.6%
Interest cover (x)	(3.83)	3.43	5.11	1.35	(1.36)
Liquidity					
Current (x)	1.66	1.60	1.55	1.91	1.71
Earning Per Share (EPS) - values before 2022 restated					
	(1.71)	0.54	1.66	0.36	0.11
Breakup Value/Net Assets per share - values before 2022 restated					
	7.52	9.23	9.99	8.22	7.98
Market Value Per Share					
	7.40	7.77	14.72	7.48	5.30



Chairman's Report

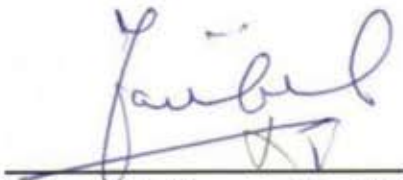
I am pleased to present to you, the Annual Report of the Company for the year ended June 30, 2023.

The Board of Directors ("the Board") of Next Capital Limited ("NCL") has performed its duties diligently, and has managed the affairs of the Company in an effective and efficient manner while protecting interests of the shareholders of the Company. The Board and the management of the Company have made their best efforts in minimizing loss for the year that occurred as a result of dwindling market volumes as a result of a gloomy macroeconomic environment and political uncertainties.

The Board comprises of members bringing together a variety of experience and expertise from various business disciplines. All Board members are aware of their fiduciary responsibilities and are committed to fulfilling them by providing strategic direction and necessary guidance to the management of the Company for compliance with policies, standards, and all regulatory requirements.

The Board has exercised the powers in light of the powers assigned to the Board in accordance to relevant laws and regulations applicable on the company and the Board has always prioritize the Compliance with all the applicable laws and regulations in terms of their conduct as directors and exercising their powers and decision making.

I would like to thank our shareholders, my fellow directors and all the stakeholders of the Company, for all their support and trust, and acknowledge with gratitude, the dedication of the management of the Company in such challenging operating conditions.

A handwritten signature in blue ink, appearing to read 'Tariq Waseem Ghazi', written over a horizontal line.

Lt. Gen. Tariq Waseem Ghazi (Retd.)
Chairman

Date : September 29, 2023

Economic Review and Outlook

The year 2022-23 was a stressful one for Pakistan, with the economy drifting down to a real GDP growth of 0.3% from 5.8% and 6.1% of the previous two years. The year started with massive floods that resulted in huge loses of precious lives, infrastructure, livestock and agriculture. Loses and reconstruction needs are estimated at over USD46 billion in Post-Disaster Needs Assessment. Besides this, Pakistan continued to face deteriorating macroeconomic indicators with fast depleting foreign exchange reserves and weakening PKR, historic high inflation and interest rates, slowdown in growth, and fiscal constraints amid political uncertainties and delays in completion of reviews of the IMF program straining the external account of the country significantly. However, at the turn of the year under review, the 2019 Extended Fund Facility (EFF) of the IMF expired and Pakistan managed to secure a new 9-month USD3 billion Stand-By Arrangement (SBA) with the IMF and received USD1.2billion in July 2023 as its first tranche. This was followed by the committed inflow of USD3 billion from Saudi Arabia and UAE. This SBA is expected to give Pakistan space to sail through the period of interim government and elections.

Going forward, securing the IMF programme and external financing for debt repayments (during the current year and beyond), managing inflationary pressures and stimulating growth will be the most critical challenges for the new government.

Equities market performance review and outlook

During the year under review, the benchmark KSE100 Index remained extremely volatile, influenced by political and macroeconomic uncertainties. It reached a high of 43,888 in August 2022 on the back of the successful completion of combined 7th and 8th reviews of the IMF 2019 EFF. However, further delays in the completion of 9th review led to increased concerns over external account management, putting pressure on the exchange rate and resulting in the index falling to a low of 38,136 in January 2023. Afterwards, the market remained dull and the index eventually closed the year under review almost flat at 41,453 level, losing 88 points or 0.2%. However, as a result of steep devaluation of PKR against the USD, the index lost 28.5% in US Dollar terms. Uncertainties largely kept investors cautious as depicted by a significant decline in trading activity. Average daily volumes fell by 34.3% to 191.8 million shares compared to 291.8 million shares of the previous year. Average daily trading value also shrank by 36.6% to PKR6.1 billion as compared to PKR9.7 billion of the previous year. Foreign investors bought equities worth USD1.5 million during the year compared to a net selling worth USD297.5 million in the previous year. Oil & Gas, Power, Technology, and Textile sectors attracted interest from foreign investors whereas Cement, Fertilizer, Food & Personal Care, Banks, and all other sectors witnessed foreign selling during the year. Of the local participants, Banks, Companies, Individuals, and Other Organizations were buyers whereas Mutual Funds, and Insurance Companies were the major sellers during the year.

Going forward, the market is poised for a recovery given a) Historically low multiples and healthy dividend yields that are comparable with fixed income returns; b) significant reduction in political and economic uncertainties after signing of the new SBA with the IMF and c) approaching elections. However, the twin challenges of high inflation and high interest rates will continue to impact the market. We are likely to witness major reforms aimed at achieving fiscal consolidation and discipline, through increasing revenues and curtailing unnecessary expenses, and increase in electricity and gas tariffs as part of energy sector reforms. Despite these challenges, investor confidence is expected to gradually improve in the medium to long term.

Financial Performance

The following table depicts your company's performance during the year under review:

	2022 – 2023	2021 – 2022
	Pak Rupees	
Profit/(Loss) Before Tax	(89,651,949)	63,294,727
Net Profit/(Loss) After Tax	(97,213,659)	30,778,715
Other Comprehensive Income		
Total Comprehensive Income		
Earnings Per Share	(1.71)	0.54

During the year under review, your company posted a loss after tax of PKR97.2 million compared to a profit after tax of PKR30.8 million in the previous year. Loss per share for the year under review stands at PKR1.71 compared to earnings per share of PKR0.54 in 2022. The loss primarily emanates from the challenging business environment in the country that weighed heavily on capital markets & investor sentiment and led to a significant decline in revenues. However, management's control over expenses restricted the overall loss incurred during the period.

Total gross brokerage income dropped to PKR100.5 million from PKR194.3 million in the previous year depicting a decline of 48.2%. This decline was primarily due to extremely thin activity in the equities market. Similarly, Advisory and related income also fell to PKR33.6 million against PKR277.3 in 2023, as transactions in general were deferred owing to rising cost of capital and growing uncertainty.

Operating expenses during the year under review decreased to PKR91.2 million, showing an improvement of 47.3% over the previous year. Despite inflationary conditions, the company managed to control its administrative expenses which decreased by 23.4% over last year and stood at PKR122.5 million.

The Board is committed to implementing a long-term growth-oriented business strategy with focus on increasing revenue not only from core brokerage business, but also by pursuing new and emerging opportunities in investment banking, advisory and related services segments.

Compliance Statement:

- (a) The financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- (b) Proper books of account of the Company have been maintained;
- (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment, with which we concur;
- (d) International Financial Reporting Standards, as applicable in Pakistan and the Companies Act, 2017, as also stated in note number 2 of the financial statements, have been followed in preparation of financial statements;
- (e) The system of internal control is sound in design and has been effectively implemented and monitored by Audit Committee;
- (f) The Company is financially sound and there are no significant doubts upon the Company's ability to continue as a going concern;
- (g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- (h) Key operating and financial data of current year and preceding years is appearing after notice of AGM;
- (i) No dividend is announced for the year ended June 30, 2023.
- (j) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2023 except for those disclosed in the financial statements;
- (k) All the material changes and commitments affecting the financial position of the Company occurred between the balance sheet date and the date of the directors' report have been disclosed in the report;
- (l) Three directors have obtained training under the Director's Training Program;
- (m) The Directors, CFO, CEO, Company Secretary, Head of Internal Audit and their spouses and minor children did not carry out any transaction in the shares of the Company during the year; and
- (n) Pattern of shareholding is disclosed after financial statements.

Meetings of the Board of Directors:

Four Board meetings were held during the financial year 2022-2023 and were attended by the Directors as follows:

Name	Designation	Attendance
Lt. Gen. Tariq Waseem Ghazi (Retd.)	Director/ Chairman	3
Mr. Najam Ali	Director/ Chief Executive Officer	4
Mrs. Hanna Khan	Director	4
Mr. M. Zulqarnain Mahmood Khan	Director	4
Mr. Ali Akhtar Ali	Director	4
Mr. Hassan Shahnawaz	Director	3
Mr. Khurram Shahzad	Director	4

Composition of Board

1. The total number of directors are seven as per the following:
 - a. Male: Six
 - b. Female: One
2. The composition of board is as follows:

Categories	Names
Independent Directors	Lt. Gen. Tariq Waseem Ghazi (Retd.) Mr. Hasan Shahnawaz
Other Non-executive Directors	Mr. M. Zulqarnain Mahmood Khan Mrs. Hanna Khan Mr. Malik Khurram Shahzad
Executive Directors	Mr. Najam Ali Dr. Ali Akhtar Ali

Committees of Board

The board has formed committees comprising of members given below:

a) Audit Committee

Mr. Hasan Shahnawaz Chairman, Independent Director
Mr. M. Zulqarnain Mahmood Khan Member
Dr. Ali Akhtar Ali Member

b) Human Resource & Remuneration Committee

Mr. Hasan Shahnawaz Chairman, Independent Director
Mr. M. Zulqarnain Mahmood Khan Member
Mrs. Hanna Khan Member

c) Risk Management Committee

Mr. M. Zulqarnain Mahmood Khan	Chairman, Independent Director
Mr. M. Najam Ali	Member
Mr. Ali Akhtar Ali	Member

Director's Remuneration

The Board of Directors has transparent procedures for remuneration of directors in accordance with the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations 2017.

Credit Rating

The Company has been re-assigned entity ratings of 'A-/A-2' (A Minus/A-Two) by VIS Credit Rating Company Ltd. The outlook on the assigned ratings is 'Stable'. Issuer rating scale defined by VIS as good credit quality; protection factors are adequate. Risk factors may vary with possible changes in the economy.

Management Rating

The Company has been assigned management rating of 'BMR2++' (BMR Two Plus Plus) by VIS Credit Rating Company Ltd. The outlook on the assigned ratings is 'Stable'. Issuer rating rationale defined by VIS as strong regulatory compliance levels; sound external controls, HR & IT services, risk management and financial management along with adequate initial control framework client relationship.

Corporate and Social Responsibility

Company being a responsible corporate entity is always conscious of its obligations towards the people who work for it, people around its workplace and the society as a whole.

External Auditors

The retiring auditors, Messrs. Baker Tilly Mehmood Idrees Qamar, Chartered Accountants, being eligible, have offered themselves for reappointment. Accordingly, the Board of Directors endorses the recommendation of the Audit Committee for the appointment of Messrs. Baker Tilly Mehmood Idrees Qamar, Chartered Accountants as the auditors for the Company for the financial year ending June 30, 2023.

Appreciation and Acknowledgement

Next Capital, on behalf of its Board and management would like to place on record our appreciation for the efforts and continued support of the regulators including the Securities and Exchange Commission of Pakistan (SECP), the State Bank of Pakistan (SBP), Pakistan Stock Exchange Limited (PSX) and the Government of Pakistan. We thank all our clients and shareholders who have placed their trust in our services in these troubled times and our staff for always putting their best efforts forward.

Date: September 29, 2023.



Muhammad Najam Ali
Chief Executive Officer



Ali Akhtar Ali
Director

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of company: NEXT CAPITAL LIMITED
Year ended: June 30, 2023

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are Seven as per the following:
 - a. Male: Six
 - b. Female: One
2. The composition of board is as follows:

Categories	Names
Independent Directors	Lt. Gen. Tariq Waseem Ghazi (Retd.) Mr. Hasan Shahnawaz
Non-executive Directors	Mr. Muhammad Zulqarnain Mahmood Khan Mrs. Hanna Khan Mr. Malik Khurram Shehzad
Executive Directors	Mr. Muhammad Najam Ali Dr. Ali Akhtar Ali

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy, and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board of Directors of the Company consists of Seven (7) eminent directors, out of which three (3) directors are already certified under the Directors Training Program as follows:
 1. Mr. Muhammad Zulqarnain Mahmood Khan
 2. Mrs. Hanna Khan
 3. Mr. Hasan Shahnawaz
10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:

a) Audit Committee

Name	Designation
Mr. Hasan Shahnawaz	Chairman
Mr. M. Zulqarnain Mahmood Khan	Member
Mr. Ali Akhtar Ali	Member

b) Human Resource & Remuneration Committee

Name	Designation
Mr. Hasan Shahnawaz	Chairman
Mr. M. Zulqarnain Mahmood Khan	Member
Mrs. Hanna Khan	Member

c) Risk Management Committee

Name	Designation
Mr. M. Zulqarnain Mahmood Khan	Chairman
Mr. M. Najam Ali	Member
Mr. Ali Akhtar Ali	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
 - a) Audit Committee: Quarterly
 - b) HR and Remuneration Committee: Yearly
 - c) Risk Management Committee: Half-Yearly

15. The board has set up an effective internal audit function to persons who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with except the requirement mentioned below:

S.no	Mandatory Requirement	Reg. No.	Explanation
1.	<p>Independent Director</p> <p>The independent directors of each listed company shall not be less than two members or one third of the total members of the board, whichever is higher.</p> <p>When there are seven directors on the board of the company the fraction of independent director share comes at 2.33. The company may round up or provide reason for contrary.</p>	6	The two independent directors have requisite education and extensive and suitable experience to carry out their responsibilities, therefore the Board has not appointed the third independent director.
2.	<p>Audit Committee:</p> <p>It is mandatory that the audit committee will be established by the board of at least three members comprising of non-executive directors and at least one independent director.</p> <p>Whereas one member appears to be an executive director.</p>	27	Mr. Ali Akhtar Ali will be replaced by a non-executive director in the next period.

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27,32, 33 and 36 is mentioned below:

S.no	Non-Mandatory Requirement	Reg. No.	Explanation

1.	<p>Responsibility of the Board to its member:</p> <p>The Chairman of the Board shall, at the beginning of term of each director, issue letter to directors setting out their role, obligations, powers and responsibilities in accordance with the Act and the company's Articles of Association, their remuneration and entitlement.</p>	10(5)	The company shall ensure compliance with these regulation from next elections.
2.	<p>Directors' Orientation:</p> <p>All companies shall make appropriate arrangements to carry out orientation for their directors to acquaint them with these Regulations, applicable laws, their duties and responsibilities to enable them to effectively govern the affairs of the listed company for and on behalf of shareholders.</p>	18	All the directors are highly qualified and well acquaint with the applicable laws, regulations and affairs of the industry and company.
3.	<p>Directors' Training:</p> <p>It is encouraged that by June 30, 2022 all the directors on their Boards have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it.</p>	19	All the directors are in compliance with the directors training program (DTP) except for one director. For other two directors the Company is of the view that one of the directors is highly qualified and well conversant with the applicable laws and regulations and for the other one the Company has planned to arrange DTP over the next year.
4.	<p>Nomination Committee</p> <p>The board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.</p>	29	Presently, the BOD has not constituted the Nomination Committee, however, the functions are performed by the audit committee.



Lt. Gen. Tariq Waseem Ghazi (Retd.)
Chairman

Baker Tilly Mahmood Idrees Qamar
Chartered Accountants
4th Floor, Central Hotel Building,
Civil Lines, Mereweather Road,
Karachi - Pakistan

T: +92 (021) 35644872-7
F: +92 (021) 35644873

info@bakertilly.pk
www.bakertilly.pk

**TO THE MEMBERS OF NEXT CAPITAL LIMITED
REVIEW REPORT ON STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (“the Regulations”) prepared by the Board of Directors of **Next Capital Limited** (the Company), for the year ended **June 30, 2023** in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company’s compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company’s personnel and review of various documents prepared by the Company to comply with the Regulations.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors’ statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company’s corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approvals of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company’s process for identification of related parties and that whether the related party transactions were undertaken at arm’s length price or not.

A handwritten signature in black ink, appearing to be 'BM'.

ADVISORY • ASSURANCE • TAX

Baker Tilly Mahmood Idrees Qamar, Chartered Accountants trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2023.

Further, we draw attention to instances of non-compliances as detailed in para 18 to the annexed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019.

bnj

A handwritten signature in black ink, appearing to read 'Mehmood A. Razzak'.

Engagement Partner: Mehmood A. Razzak

Karachi.

Date: October 03, 2023

UDIN: CR202310151IXHI7y4nf

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants
4th Floor, Central Hotel Building,
Civil Lines, Mereweather Road,
Karachi - Pakistan

T: +92 (021) 35644872-7
F: +92 (021) 35644873

info@bakertilly.pk
www.bakertilly.pk

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NEXT CAPITAL LIMITED**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

Basis for Opinion

We conducted our audit in accordance with the 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.



ADVISORY • ASSURANCE • TAX

Baker Tilly Mehmood Idrees Qamar, Chartered Accountants trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1.	<p>Revenue recognition</p> <p>Refer notes 3.7 and 21 to the financial statements relating to revenue recognition.</p> <p>The Company generates revenue from brokerage services as well as corporate finance and related services. Brokerage represents 75% and corporate finance and related services represents 25% of the total revenue.</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not being recognized in the appropriate period.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> ▪ We obtained an understanding of, assessed and tested the design and implementation of key internal controls over the recording of revenue; ▪ We assessed the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; ▪ We have tested the identified automated application controls, which are critical to the revenue recognition process. Our testing procedures included the testing of system logics, automated calculations and validations, testing of system generated information, system configuration; ▪ We checked agreements and related documents for corporate finance services transactions recorded during the current year to assess whether the related revenue was recognized in accordance with the requirement of applicable accounting standard; and

By

S. No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> We compared, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period.

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

Management is responsible for the other information. The other information obtained at the date of this auditor’s report is information included in the Director’s report, but does not include the financial statements of the company and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

hm

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 cash flow statement 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).
- e) the Company was in compliance with the requirements of section 78 of the Securities Act, 2015 and section 62 of the Future Market Act, 2016 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.

A handwritten signature in black ink, appearing to be 'bn'.

NEXT CAPITAL LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

ASSETS	Note	2023 ----- Rupees -----	2022
Non-current assets			
Property and equipment	4	37,255,427	60,860,329
Right of use assets	5.1	25,473,580	19,827,340
Intangible assets	6	132,316,263	75,793,873
Investments in term finance certificates	7	4,020,000	4,019,064
Long term deposits	8	4,764,761	17,664,761
Deferred tax asset - net	9	9,933,918	7,225,752
		213,763,949	185,391,119
Current assets			
Short term investments	10	205,957,399	60,400,032
Investment in marginal financing system	11	-	9,300,902
Trade debts - net	12	217,288,698	296,102,104
Deposits and prepayments	13	47,640,996	131,093,928
Advances and other receivables	14	3,617,353	206,459,463
Advance tax		41,208,698	40,125,889
Cash and bank balances	15	87,340,767	221,673,403
		603,053,911	965,155,721
Total assets		<u>816,817,860</u>	<u>1,150,546,840</u>
EQUITY AND LIABILITIES			
Share capital and reserve			
Authorised capital			
100,000,000 (2022: 100,000,000) ordinary shares of Rs. 10 each	16.1	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid-up share capital	16.2	569,250,000	495,000,000
Discount on issue of shares		(50,000,000)	(50,000,000)
Accumulated (loss) / profit		(91,203,378)	80,260,281
		428,046,622	525,260,281
Non-current liabilities			
Lease liabilities	5.2	25,399,711	22,796,032
Current liabilities			
Unclaimed dividend		3,004,827	3,004,827
Current portion of lease liabilities	5.2	8,910,322	7,575,077
Short term borrowing - secured	18	150,000,000	149,997,195
Trade and other payables	19	201,456,378	440,746,770
Contract liability		-	1,166,658
		363,371,527	602,490,527
Total equity and liabilities		<u>816,817,860</u>	<u>1,150,546,840</u>
Contingencies and commitments	20		

The annexed notes 1 to 40 form an integral part of these financial statements.

by



Chief Executive Officer



Chief Financial Officer



Director

NEXT CAPITAL LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 ----- Rupees -----	2022 -----
Operating revenue	21	119,203,246	417,289,673
Capital gain / (loss) on sale of investments	22	10,374,433	(5,297,102)
Unrealised loss on remeasurement of investment classified as at fair value through profit or loss	10	(13,602,935)	(32,534,222)
Operating expenses	23	(91,167,901)	(173,132,695)
Administrative expenses	24	(122,451,086)	(159,793,843)
Loss allowance for life time expected credit loss (ECL)	12.2	(13,976,962)	(4,735,838)
Finance cost	25	(18,547,780)	(26,069,398)
		<u>(130,168,985)</u>	<u>15,726,575</u>
Other income	26	40,517,036	47,568,152
(Loss) / profit before taxation		<u>(89,651,949)</u>	<u>63,294,727</u>
Taxation			
- Current		(8,738,676)	(35,757,055)
- Prior		(1,531,199)	1,947,533
- Deferred		2,708,165	1,293,510
	27	<u>(7,561,710)</u>	<u>(32,516,012)</u>
(Loss) / profit for the year		<u>(97,213,659)</u>	<u>30,778,715</u>
(Loss) / earnings per share - basic and diluted	28	<u>(1.71)</u>	Restated <u>0.54</u>

The annexed notes 1 to 40 form an integral part of these financial statements.

by

Chief Executive Officer

Chief Financial Officer

Director

NEXT CAPITAL LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
Note	----- Rupees -----	-----
(Loss) / profit for the year	(97,213,659)	30,778,715
Other comprehensive income for the year <i>Items that will not be reclassified to profit or loss account</i>		
Realized gain on remeasurement of investment carried at FVTOCI	-	-
Total comprehensive (loss) / income for the year	<u>(97,213,659)</u>	<u>30,778,715</u>

The annexed notes 1 to 40 form an integral part of these financial statements.

12



Chief Executive Officer




Chief Financial Officer

Director

NEXT CAPITAL LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
Note	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(89,651,949)	63,294,727
Adjustments for:		
Depreciation of property and equipment	24 20,940,394	20,616,202
Depreciation on right of use asset	24 5,422,985	6,427,548
Amortisation of intangible assets	24 163,667	133,543
Capital (gain) / loss on sale of investments	22 (10,374,433)	5,297,102
Unrealised loss in the value of investments at 'fair value through profit or loss'	10.1 13,602,935	32,534,222
Mark-up on bank balances	26 (21,244,893)	(22,648,829)
Mark-up on investment in margin financing system	26 (1,743,778)	(8,344,598)
Mark-up under margin trading system	26 (857,650)	-
Markup on term finance certificates	26 (726,780)	(465,625)
Profit on cash margin	26 (7,008,504)	(13,532,834)
Loss allowance for life time expected credit loss (ECL)	12.2 13,976,962	4,735,838
Dividend income	26 (3,703,690)	(475,350)
Gain on disposal of property and equipment	26 (2,905,342)	(319,359)
Other income	26 -	(1,781,557)
Finance cost	25 18,547,780	26,069,398
	<u>24,089,653</u>	<u>48,245,701</u>
Cash flows before working capital	(65,562,296)	111,540,428
Changes in working capital		
<i>Decrease / (increase) in current assets</i>		
Trade debts	64,836,444	86,349,318
Advances, deposits, prepayments and other receivables	293,303,546	(124,842,783)
	<u>358,139,990</u>	<u>(38,493,465)</u>
<i>Decrease in current liabilities</i>		
Trade and other payables	(243,117,264)	(69,265,142)
Contract liabilities	(1,166,658)	-
Cash generated from operating activities	48,293,772	3,781,821
Finance cost paid	(7,873,334)	(22,367,965)
Taxes paid	(11,352,685)	(32,237,335)
Net cash generated from / (used in) operating activities	29,067,753	(50,823,479)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of property and equipments	4 (2,719,650)	(9,427,679)
Purchase in Intangible	6 (56,686,057)	(72,445,055)
Proceeds from sale of property and equipment	8,289,500	-
Payments against investment in margin financing system	11 (95,865,348)	(629,972,412)
Receipts from investment in margin financing system	11 106,910,028	699,295,485
Investment in term finance certificate	(936)	-
Investments - net	(148,785,869)	(98,231,356)
Mark-up received on bank balances and exposure margin	21,244,893	34,643,046
Mark-up received on investment in margin financing system	-	8,281,586
Mark-up received on investment in margin trading system	857,650	-
Mark-up received on term finance certificates	726,780	-
Dividend received	3,703,690	-
Long term deposits	12,900,000	18,541,491
Net cash used in investing activities	(149,425,319)	(49,314,894)
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease rentals paid	(13,977,875)	(10,839,530)
Dividend paid	-	(50,619)
Net cash used in from financing activities	(13,977,875)	(10,890,149)
Net decrease in cash and cash equivalents	(134,335,441)	(111,028,522)
Cash and cash equivalents at beginning of the year	71,676,208	182,704,730
Cash and cash equivalents at end of the year	(62,659,233)	71,676,208
CASH AND CASH EQUIVALENTS COMPRISE OF:		
Cash and bank balances	87,340,767	221,673,403
Short term borrowing - secured	(150,000,000)	(149,997,195)
	<u>(62,659,233)</u>	<u>71,676,208</u>

The annexed notes 1 to 40 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

NEXT CAPITAL LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2023

	Issued, subscribed and paid-up share capital	Discount on issue of shares	Accumulated profit / (loss)	Total
----- Rupees -----				
Balance as at July 01, 2021	495,000,000	(50,000,000)	49,481,566	494,481,566
Total comprehensive income for the year				
Profit for the year	-	-	30,778,715	30,778,715
Other comprehensive income	-	-	-	-
	-	-	30,778,715	30,778,715
Balance as at June 30, 2022	495,000,000	(50,000,000)	80,260,281	525,260,281
Bonus shares issued during the year	74,250,000	-	(74,250,000)	-
Total comprehensive loss for the year				
Loss for the year	-	-	(97,213,659)	(97,213,659)
Other comprehensive income	-	-	-	-
	-	-	(97,213,659)	(97,213,659)
Balance as at June 30, 2023	569,250,000	(50,000,000)	(91,203,378)	428,046,622

The annexed notes 1 to 40 form an integral part of these financial statements.

My

Chief Executive Officer

Chief Financial Officer

Director

NEXT CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. LEGAL STATUS AND OPERATIONS

Next Capital Limited ("the Company") was incorporated as a public limited company in Pakistan on December 14, 2009 under repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company obtained corporate membership from Pakistan Stock Exchange Limited ("the Exchange") on February 02, 2010 and was listed on the said Exchange on April 27, 2012.

The Company is a TREC holder of Pakistan Stock Exchange Limited and a member of Pakistan Mercantile Exchange Limited and is accredited broker by Financial Market Association of Pakistan. The Company is principally engaged in brokerage of shares, stocks, equity and debt securities, commodities, forex and other financial instruments and corporate finance services. Further, the Company is engaged in trading in equity and debt securities on its own account through ready, spot and forward counters of the stock exchange. The registered office of the Company is situated at 2nd Floor, Imperial court, Dr. Ziauddin Ahmed Road, Karachi.

The Company has a branch office at 63-A, Agora Eden City, DHA Phase 8, Lahore.

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 applicable in Pakistan comprise of:

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

Where provisions and of directives issued under Companies Act, 2017 differ with the requirements of IFRS standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for equity investments which are carried at fair values and lease liability valued at present value.

2.3 Functional currency and presentation currency

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

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

by

The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

- Property and equipment (note 3.1 and 4);
- Right of use asset (note 3.15 and 5)
- Taxation (note 3.3 and 27);
- Provision for impairment of trade debtors (note 3.4, 3.5 and 12);
- Contingencies (note 3.13, 20 and 27)

2.5 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan which are effective in current period

The following standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

	<u>Effective for period beginning on or after</u>
Amendments to IAS 16 'Property, Plant and Equipment': Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.	January 1, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets': Amendments regarding the costs to include when assessing whether a contract is onerous.	January 1, 2022

Certain amendments updating a reference to the Conceptual Framework and annual improvements have also been made to a number of standards, which have not been enumerated here for brevity.

2.6 Amendments to standards and IFRS interpretations that are not yet effective

The following amendments to accounting standards and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

	<u>Effective from accounting period beginning on or after</u>
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures': Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to IAS 1 'Presentation of Financial Statements': Amendments regarding the disclosure of accounting policies.	January 1, 2023
Amendments to IFRS 16 'Leases': Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions.	January 1, 2024
Amendments to IFRS 9 'Financial Instruments: Disclosures' and IAS 7 'Statement of Cash Flows': Amendments regarding supplier finance arrangements.	January 1, 2024
Amendments to IAS 1 'Presentation of Financial Statements': Amendments regarding the classification of liabilities and debt with	January 1, 2024

bn

	<u>Effective from accounting period beginning on or after</u>
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': Amendments regarding the definition of accounting estimates.	January 1, 2023
Amendments to IAS 12 'Income Taxes': Amendments regarding deferred tax on leases and decommissioning obligations.	January 1, 2023
Amendments to IAS 12 'Income Taxes': Amendments to provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes.	January 1, 2023

Certain amendments updating a reference to the Conceptual Framework and annual improvements have also been made to a number of standards, which have not been enumerated here for brevity.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1 - First Time Adoption of International Financial Reporting Standards
IFRS 17 - Insurance Contracts

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented in these financial statements:

3.1 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company. The carrying amount of the part so replaced is derecognized. The costs relating to day-to-day servicing of property and equipment are recognized in profit and loss account as incurred.

Depreciation

Depreciation is calculated on cost of property and equipment less their estimated residual values using the straight-line method over their useful lives and is recognised in the statement of profit or loss. Depreciation on additions to property and equipment is charged from the date asset is available for use, till the date of its disposal. The estimated useful lives of property and equipment for current and comparative periods are disclosed in note 4 to these financial statements.

Depreciation methods, residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

Gains and losses on disposal

Any gain or loss on disposal of an item of property and equipment is recognised in the statement of profit or loss.

by

3.2 Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Trading Right Entitlement Certificate (TREC)

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

Software

Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year, are recognised as an intangible asset. Direct costs include the purchase costs of software and other directly attributable costs of preparing the software for its intended use.

Computer software is measured initially at cost and subsequently stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation

Intangible assets with indefinite useful lives are not amortised, instead they are systematically tested for impairment at each reporting date. Intangible assets with finite useful lives are amortised at straight line basis over the useful life of the asset (at the rate specified in note 6 to these financial statements).

Capital work-in-progress

It is stated at cost less impairment losses, if any. It includes expenditure incurred and advances made in respect of software in the course of its development. These cost are transferred to relevant assets category as and when assets are available for intended use.

3.3 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of profit or loss except to the extent that it relates to item recognized directly in other comprehensive income in which case it is recognized in other comprehensive income.

Current tax

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years which arises from assessments / developments made during the year, if any.

Deferred tax

Deferred tax is recognised using balance sheet method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement or the carrying amount of assets and Liabilities, using the enacted or substantively enacted rates or taxation.

The Company recognises deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.4 Trade debts and other receivables

Trade debts and other receivables are recognised at fair value and subsequently measured at amortised cost less impairment losses, if any. The company follows trade debts accounting method to record its transactions. Actual credit loss experience over past years is used to base the calculation of expected credit loss. Trade debts and other receivables considered irrecoverable are written off.

hm

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in statement of other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL on initial recognition. The Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'Principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

by

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses:

- **Financial assets at FVTPL**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit or loss.

- **Financial assets at Amortised cost**

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement profit or loss. Any gain or loss on derecognition is recognised in the statement profit or loss.

- **Debt investments at FVOCI**

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Other net gains and losses are recognised in statement of other comprehensive income. On derecognition, gains and losses accumulated in statement of other comprehensive income are reclassified to the statement of profit or loss.

- **Equity investments at FVOCI**

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss account unless the dividend clearly represents a recovery of part of the cost of the investment.

Other net gains and losses are recognised in statement of other comprehensive income and are never reclassified to the statement of profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss account. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the statement of profit or loss. Any gain or loss on derecognition is also recognised in the statement of profit or loss.

3.14.3 Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

h

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in statement of profit or loss.

3.14.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.14.5 Impairment

(i) Financial assets

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt instruments measured at FVOCI; and
- contracts assets.

The Company measures loss allowances at an amount equal to lifetime Expected Credit Losses (ECLs), except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date;
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 365 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

by

Measurement of ECLs

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Company's of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in statement of profit or loss account.

hij

3.15 Right-of-use assets and related liability

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company mainly leases properties for its operations. The Company recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, however in accordance with para 16.35 of IFRS 16 which states "if the right-of-use assets relates to a class of property, plant and equipment to which lessee applies the revaluation model in IAS 16, a lessee may elect to apply the revaluation model to all the right-of-use assets that relate to that class of property, plant and equipment" the management of the Company has decided to adopt revaluation model for subsequent measurement of right-of-use assets. Therefore, subsequently the right-of-use assets are measured on revalued amount less any accumulated depreciation and impairment losses, and adjusted for certain remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability against right of use asset is initially measured at the present value of the lease payment that are not paid at the commencement date discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has elected not to recognise right-of-use assets and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term. The right-of-use assets are presented in the same line item as it presents underlying assets for the same nature it owns.

3.16 Segment reporting

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.

The operating segments of the Company are as follows:

Brokerage

The brokerage activities include services provided in respect of share brokerage.

Advisory

It consists of advisory and consultancy function.

Other operations

The other operations include services provided in respect of money market brokerage, forex brokerage, commodity brokerage and share subscription commission.

4. PROPERTY AND EQUIPMENT	Note	2023	2022
		Rupees	Rupees
Operating assets	4.1	37,255,427	60,860,329
Capital work in progress	4.2	-	-
		<u>37,255,427</u>	<u>60,860,329</u>

	2023	2022
	----- Rupees -----	
4.2 Capital work in progress		
Leasehold improvements		
Opening cost	-	6,285,789
Additions	-	443,409
Transfer	-	(6,729,198)
As at June 30,	<u>-</u>	<u>-</u>

5. LEASES

5.1 Right-of-use assets

Opening balance	19,827,340	31,741,341
Additions	-	-
Disposals	-	(5,486,453)
Modification	11,069,225	-
Depreciation expense	(5,422,985)	(6,427,548)
As at June 30,	<u>25,473,580</u>	<u>19,827,340</u>

5.1.1 The depreciation charge on right of use assets for the year has been allocated to administrative expenses.

5.1.2 The lessor of the leased property of Lahore is a Director.

5.2 Lease liabilities

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. The future lease payments have been discounted using incremental borrowing rate at the time of the inception of the lease.

5.2.1 Set out below the movements during the year in lease liability:

	2023	2022
	----- Rupees -----	
Opening balance	30,371,109	41,955,849
Additions	-	-
Modification	11,069,225	-
Disposal	-	(5,560,847)
Interest expense	6,847,574	4,815,637
Payments	(13,977,875)	(10,839,530)
Closing balance	<u>34,310,033</u>	<u>30,371,109</u>
Current	8,910,322	7,575,077
Non - current	<u>25,399,711</u>	<u>22,796,032</u>
	<u>34,310,033</u>	<u>30,371,109</u>

bj

5.2.2 Lease liabilities are payable as follows:

	2023		2022	
	Lease payments	Present value of lease payment	Lease payments	Present value of lease payment
	----- Rupees -----			
Not later than one year	13,507,983	8,910,322	11,540,197	7,575,077
Later than one year but not later than five years	31,528,147	25,399,711	29,096,554	22,796,032
Later than five years	-	-	-	-
	45,036,130	34,310,033	40,636,751	30,371,109
Financial charges allocated to future periods	(10,726,097)	-	(10,265,642)	-
	<u>34,310,033</u>	<u>34,310,033</u>	<u>30,371,109</u>	<u>30,371,109</u>
Less: Current maturity	(8,910,322)	(8,910,322)	(7,575,077)	(7,575,077)
	<u>25,399,711</u>	<u>25,399,711</u>	<u>22,796,032</u>	<u>22,796,032</u>

6. INTANGIBLE ASSETS	Note	2023	2022
		----- Rupees -----	
Pakistan Mercantile Exchange - membership card		950,000	950,000
Trading Right Entitlement Certificate (TREC)	6.1	2,500,000	2,500,000
Software	6.2	226,151	389,818
Capital work in progress	6.3	128,640,112	71,954,055
		<u>132,316,263</u>	<u>75,793,873</u>

6.1 This represents TREC received from Pakistan Stock Exchange in accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012.

6.2 Software	Note	2023	2022
		----- Rupees -----	
<i>Net carrying value basis</i>			
Opening net book value		389,818	32,361
Additions		-	491,000
Amortisation charge		(163,667)	(133,543)
Closing net book value		<u>226,151</u>	<u>389,818</u>
<i>Gross carrying value</i>			
Cost		5,644,660	5,644,660
Accumulated amortisation		(5,418,509)	(5,254,842)
Net book value		<u>226,151</u>	<u>389,818</u>
Amortisation rate		<u>33%</u>	<u>33%</u>

6.3 Capital work in progress	Note	2023	2022
Opening		71,954,055	-
Capital expenditure incurred during the period / year	6.3.1	56,686,057	71,954,055
Transferred to intangible assets		-	-
Closing		<u>128,640,112</u>	<u>71,954,055</u>

6.3.1 This represents the cost capitalised for the development of a software.

by

7. INVESTMENT IN TERM FINANCE CERTIFICATES

2023		2022	
(Number of certificates)			
<u>802</u>	<u>802</u>	<u>4,020,000</u>	<u>4,010,000</u>
Name of investee		Rupees	
Soneri Bank Limited		<u>4,020,000</u>	<u>4,019,064</u>

7.1	Name of Security	Mark-up rate (per annum)	Face Value	Unredeemed Face Value	Maturity	Long term rating
	Soneri Bank Limited - Tier 1 TFC	6 month KIBOR + 2%	4,020,000	4,020,000	Perpetual	A

8. LONG TERM DEPOSITS

	Note	2023	2022
		Rupees	
Pakistan Stock Exchange Limited	8.1	-	12,900,000
Central Depository Company of Pakistan Limited		125,000	125,000
National Clearing Company of Pakistan Limited		1,400,000	1,400,000
Pakistan Mercantile Exchange	8.2	1,250,000	1,250,000
Security deposit against office premises		1,869,761	1,869,761
Security deposit against PSO card		120,000	120,000
		<u>4,764,761</u>	<u>17,664,761</u>

8.1 This includes deposits placed with Pakistan Stock Exchange Limited for taking exposures in regular, future market and cash deposited against Base Minimum Capital requirement.

8.2 This represent deposits placed with Pakistan Mercantile Exchange for taking exposures in commodity market.

9. DEFERRED TAX ASSET - net

Deductible / (taxable) temporary difference arising in respect of:

	Note	2023	2022
		Rupees	
Accelerated depreciation / amortisation		(284,830)	(464,410)
Liability against asset subject to finance lease		9,949,910	9,837,235
Right of use asset		(7,387,338)	(5,749,929)
Provision for impairment on trade debts		7,656,176	3,602,856
	9.1	<u>9,933,918</u>	<u>7,225,752</u>

bn

9.1 Reconciliation of deferred tax

Balance as at July 01, 2021	Recognised in profit and loss account	Recognised in other comprehensive income	Balance as at June 30, 2022	Recognised in profit and loss account	Recognised in other comprehensive income	Balance as at June 30, 2023	
----- Rupees -----							
Accelerated tax depreciation / amortization	(581,005)	116,595	-	(464,410)	179,580	-	(284,830)
Right of use asset	(9,205,615)	3,455,686	-	(5,749,929)	(1,637,409)	-	(7,387,338)
Liability against asset subject to finance lease	13,186,412	(3,349,177)	-	9,837,235	112,675	-	9,949,910
Provision for impairment on trade debts	2,532,450	1,070,406	-	3,602,856	4,053,320	-	7,656,176
	<u>5,932,242</u>	<u>1,293,510</u>	<u>-</u>	<u>7,225,752</u>	<u>2,708,166</u>	<u>-</u>	<u>9,933,918</u>

Deferred tax asset / (liability) arising due to:

10. SHORT TERM INVESTMENTS

Fair value through profit or loss

Listed equity securities

10.1 Listed equity securities

2023	2022	Name of investee
Number of shares		
-	205,369	Attock Refinery Limited
-	100	Habib Bank Limited
4,792,000	2,374,500	Pakistan Stock Exchange Limited
845,000	-	Bank Alfalah Limited
400,000	-	D.G. Khan Cement Company Limited
2,618,300	-	Maple Leaf Cement Factory Limited
500,000	-	TRG Pakistan Limited
454,000	-	TPL Trakker Limited
		Less:
		Unrealised loss on re-measurement of investment classified as fair value through profit or loss
<u>9,609,300</u>	<u>2,579,969</u>	

Note	2023	2022
	----- Rupees -----	
10.1	<u>205,957,399</u>	<u>60,400,032</u>

2023		2022
Carrying amount	Market value	Market value
----- Rupees -----		
-	-	36,099,763
-	-	9,134
47,279,876	35,460,800	24,291,135
25,808,558	25,721,800	-
20,059,216	20,520,000	-
72,647,185	74,176,439	-
49,654,054	46,065,000	-
4,111,445	4,013,360	-
219,560,334	205,957,399	60,400,032
(13,602,935)	-	-
<u>205,957,399</u>	<u>205,957,399</u>	<u>60,400,032</u>

bn

10.2 These securities were held as collateral with the NCCPL on account of market exposure in accordance with the provisions of the Securities Act, 2015.

	----- 2023 -----	
	Number of Shares	Market Value
Pakistan Stock Exchange Limited	3,625,500	26,828,700
Bank Alfalah Limited	500,000	15,220,000
TRG Pakistan Limited	25,000	2,303,250
Maple Leaf Cement Factory Limited	536,000	15,184,880
	<u>4,686,500</u>	<u>59,536,830</u>

11. INVESTMENT IN MARGINAL FINANCING SYSTEM

This amount is given as a Margin Financing (MF) to our clients through National Clearing Company of Pakistan Limited. This amount is secured against securities of clients held in House accounts under pledged status. The Company is financing on Financing Participation Ratio (FPR) of maximum 75% and charging markup upto the rate of 3 month KIBOR plus 8%.

	2023	2022
Note	----- Rupees -----	
Investment in MF at beginning of the year	9,300,902	70,326,739
Total placements during the year	95,865,348	629,972,412
Total release against MF during the year	<u>(106,910,028)</u>	<u>(699,295,485)</u>
Realised income on MF	<u>1,743,778</u>	<u>8,297,236</u>
	<u>(105,166,250)</u>	<u>(690,998,249)</u>
Balance at end of the year	<u>-</u>	<u>9,300,902</u>

12. TRADE DEBTS - NET

Receivable from clients on account of:

- Purchase of shares on behalf of clients		227,900,617	293,259,815
- <i>Brokerage commission</i>			
- Equity shares		<u>5,805,315</u>	<u>5,158,039</u>
- Money market and forex		<u>783,658</u>	<u>1,753,317</u>
		6,588,973	6,911,356
- Consultancy fee		9,199,712	8,354,575
Gross trade debts	12.1	<u>243,689,302</u>	308,525,746
- Loss allowance for life time expected credit loss (ECL)	12.2	<u>(26,400,604)</u>	<u>(12,423,642)</u>
		<u>217,288,698</u>	<u>296,102,104</u>

12.1 Aging analysis

The aging analysis of the trade debts is as follows:

Upto five days		130,223,861	279,190,963
More than five days		113,465,441	29,334,783
	12.1.1	<u>243,689,302</u>	<u>308,525,746</u>

12.1.1 This includes Rs. 7,262,057 (2022: Rs. 4,513,270) as receivable from related parties.

by

		2023	2022
		----- Rupees -----	
12.2	Loss allowance for life time expected credit loss (ECL)		
	Opening balance	12,423,642	7,687,804
	Charged during the year	13,976,962	4,735,838
	Closing balance	<u>26,400,604</u>	<u>12,423,642</u>
		----- 2023 -----	
12.3	PLEDGE SECURITIES WITH FINANCIAL INSTITUTION	No. of Securities	Value
	Pledged to financial institutions on behalf of brokerage house	-	-
	Pledged to financial institutions on behalf of Directors/Sponsors/CEO/Shareholder	-	-
	Pledged to financial institutions on behalf of Clients	5,520,000	29,065,500
12.4	Customer assets held in the central depository system consists of 356,856,888 shares valued at Rs. 6,145 million.		
		2023	2022
		----- Rupees -----	
13.	DEPOSITS AND PREPAYMENTS	Note	
	Deposit against exposure margin	13.1	29,313,065
	Deposit against Marginal Trading Services	13.2	10,052,862
	Prepaid expenses		3,753,261
	Sales tax receivables		4,521,808
			<u>47,640,996</u>
			<u>131,093,928</u>
13.1	This represents deposit with National Clearing Company of Pakistan Limited against the exposure margin in respect of trade in future and ready market. These deposits carry profit at rates ranging from 10.75% to 17.00% (June 30, 2022: 4.00% to 5.61%) per annum.		
13.2	This represents deposit with National Clearing Company of Pakistan Limited against the exposure margin against trade and sustained losses to date on Marginal Trading Services. These deposits carry profit at rates ranging from 10.75% to 17.00% (2022: 4.00% to 5.61%) per annum.		
		2023	2022
		----- Rupees -----	
14.	ADVANCES AND OTHER RECEIVABLES	Note	
	<i>Considered good</i>		
	Advance against salary - secured		907,500
	Other receivables and advances - unsecured		2,709,853
	Receivable against sale of shares		-
			<u>3,617,353</u>
			<u>206,459,463</u>
15.	CASH AND BANK BALANCES		
	<i>Balances with banks:</i>		
	Savings accounts	15.1	76,475,247
	<i>Current accounts:</i>		
	- Conventional		9,710,016
	- Shariah compliant		1,134,884
		15.2	87,320,147
	Cash in hand		20,620
			<u>87,340,767</u>
			<u>221,673,403</u>

by

- 15.1 Profit rate on savings accounts ranges from 12.25% to 18.50% per annum (June 30, 2022: 5.50% to 12.3% per annum).
- 15.2 This include Rs. 63.128 million (June 30, 2022: Rs. 182.199 million) kept in designated bank accounts maintained on behalf of clients.

15.3 Customer and proprietor wise balances	2023	2022
	----- Rupees -----	
Proprietary account balances including cash in hand	24,212,648	39,474,007
Client account balances	63,128,119	182,199,396
	<u>87,340,767</u>	<u>221,673,403</u>

16. AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

16.1 Authorised share capital

2023	2022	2023	2022
(Number of shares)		----- Rupees -----	
<u>100,000,000</u>	<u>100,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Ordinary shares of Rs. 10 each			

16.2 Issued, subscribed and paid-up share capital

2023	2022	Ordinary shares	2023	2022
(Number of shares)			----- Rupees -----	
45,000,000	45,000,000	Fully paid in cash	450,000,000	450,000,000
4,500,000	4,500,000	Issued as bonus shares - 10%	45,000,000	45,000,000
7,425,000	-	Issued as bonus shares - 15%	74,250,000	-
<u>56,925,000</u>	<u>49,500,000</u>		<u>569,250,000</u>	<u>495,000,000</u>

16.3 PATTERN OF SHARHOLDING

	2023	
	Shares held	Percentage
<i>Directors and their spouse(s) and minor children</i>		
Mr. Muhammad Najam Ali	15,645,836	27.485%
Mrs. Hanna Khan	4,408,401	7.744%
MR. Muhammad Zulqarnain Mehmood Khan	9,005,908	15.821%
Dr. Ali Akhtar Ali	1	0.000%
Lieutenant General(Retd) Tariq Waseem Ghazi	30,517	0.054%
Mr. Hassan Shahnawaz	2,846	0.005%
Mr. Malik Khurram Shahzad	1,265	0.002%
<i>Executives</i>	6,175	0.011%
<i>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</i>	12,219,346	21.466%
<i>Others</i>	15,604,705	27.413%
	<u>56,925,000</u>	<u>100.00%</u>

- 16.4 As per regulation 34(2)(e)(f) of the Securities Brokers (Licensing and Operations) Regulations, 2016, below are the names of shareholders having more than 5% of the shares and all changes in shareholding above 5%.

Name of shareholders	2023	2022	2023	2022
	----- shares held -----		----- % of holding -----	
Muhammad Najam Ali	15,645,836	13,605,075	27.48%	27.49%
Muhammad Zulqarnain Mehmood Khan	9,005,908	7,828,750	15.82%	15.82%
Adnan Afridi	5,691,867	4,949,450	10.00%	10.00%
MCB Bank Limited - Treasury	5,516,032	4,796,550	9.69%	9.69%
Hanna Khan	4,408,401	3,832,775	7.74%	7.74%
Maple Leaf Cement Factory Limited	4,269,375	3,712,500	7.50%	7.50%

ky

17. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

Liabilities	Equity				Total	
	Lease liabilities	Issued, subscribed and paid-up share capital	Discount on issue of shares	Accumulated profit / (losses)		Fair value reserve
----- Rupees -----						
Balance as at 01 July 2022	30,371,109	495,000,000	(50,000,000)	80,260,281	-	555,631,390
Liability - related						
Lease rentals paid	(13,977,875)	-	-	-	-	(13,977,875)
Modification	11,069,225	-	-	-	-	11,069,225
Finance cost lease liabilities	6,847,574	-	-	-	-	6,847,574
Loss for the year	-	-	-	(97,213,659)	-	(97,213,659)
	3,938,924	-	-	(97,213,659)	-	(93,274,735)
Issue of bonus shares	-	74,250,000	-	(74,250,000)	-	-
Balance as at June 30, 2023	34,310,033	569,250,000	(50,000,000)	(91,203,378)	-	462,356,655

Liabilities	Equity				Total	
	Lease liabilities	Issued, subscribed and paid-up share capital	Discount on issue of shares	Accumulated profit / (losses)		Fair value reserve
----- Rupees -----						
Balance as at 01 July 2021	41,955,849	495,000,000	(50,000,000)	49,481,566	-	536,437,415
Liability - related						
Lease rentals paid	(10,839,530)	-	-	-	-	(10,839,530)
Modification	(5,560,847)	-	-	-	-	(5,560,847)
Finance cost lease liabilities	4,815,637	-	-	-	-	4,815,637
Loss for the year	-	-	-	30,778,715	-	30,778,715
	(11,584,740)	-	-	30,778,715	-	19,193,975
Issue of bonus shares	-	-	-	-	-	-
Balance as at June 30, 2022	30,371,109	495,000,000	(50,000,000)	80,260,281	-	555,631,390

	Note	2023 ----- Rupees -----	2022 ----- Rupees -----
18. SHORT TERM BORROWING - SECURED	18.1	<u>150,000,000</u>	<u>149,997,195</u>

18.1 Running finance facility of Rs. 150 million (2022: Rs. 150 million) has been obtained by the Company from Sindh bank having expiry on October 31, 2023 and is secured against charge over present and future current assets of the Company. The mark-up on the facility is payable quarterly at 3 month KIBOR plus 3.5% (2022: 3 month KIBOR plus 3.5%).

	Note	2023 ----- Rupees -----	2022 ----- Rupees -----
19. TRADE AND OTHER PAYABLES			
Trade creditors	19.1	77,232,043	204,248,069
Payable to National Clearing Company of Pakistan Limited	19.1	7,817,005	156,991,390
Accrued commission to traders	19.2	-	3,344,261
Accrued salaries and other expenses		-	4,174,979
Payable to auditors		1,269,000	1,438,426
Tax deducted at source		721,962	54,469,725
Commission payable	19.3	78,252	78,252
Accrued expenses		-	291,085
Accrued markup		6,606,918	2,780,046
IPS Accounts		13,669,064	128,436
Other payables		94,062,134	12,802,101
		<u>201,456,378</u>	<u>440,746,770</u>

bn

- 19.1 This includes Rs. 7.82 million (2022 Rs. 156.99 million) trade payable in respect of two days trading with T+2 settlement.
- 19.2 This includes commission payable of Rs. Nil (2022: Rs. 2.498 million) to related parties.
- 19.3 This represents commission payable to a foreign brokerage house.

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

- 20.1.1 The Sindh Revenue Board (SRB) passed an order for recovery of Sindh sales tax on advisory services amounting to Rs. 871,581 for the tax period July 2011 to June 2012. The Company filed appeal before the Commissioner Appeals (SRB) against the said order. The Commissioner Appeals (SRB) passed the final order dated 21 November 2014 for recovery of assessed amount Rs. 871,581 and default surcharge to be calculated at the time of payment.

The Company filed the petition against the order to the Honourable High Court of Sindh ("the Court") and the Court granted an interim order dated 28 November 2014 and restrained the SRB from demanding any payment till further orders by the Court.

The SRB has passed an order on 11 October 2019 in respect of short declaration of revenue on which short paid sales tax amounting to Rs. 6,347,287/- was computed for the tax period from July 2013 to June 2014. The Company filed appeal before the Commissioner Appeals (SRB) against the said order and also filed the petition S.T.R.A. No. 6/2016 against the order to the Court. Appeal and petition both are pending for hearings with Commissioner Appeals and the Court.

The SRB has passed an order on 30 June 2020 in respect of short declaration of revenue on which short paid sales tax amounting to Rs. 1,730,745 including penalty of Rs. 86,537 was computed for the tax period from July 2012 to June 2013. The Company filed appeal before the Commissioner Appeals (SRB) against the said order and also filed the petition against the order to the Court to add this case in earlier petition due to similar grounds of both orders. Appeal and petition both are pending for hearings with Commissioner Appeals and the Court.

The management based on the advice of its advisor is confident that the above such services were not taxable under the Sindh Sales Tax Act, 2011 till 1st July 2014, wherefrom amendment in the Act introduced. The department erroneously charged Sales Tax on such services retrospectively. The Company was duly paying Sindh Sales Tax on brokerage services and filing SST return accordingly. The Company is confident of a favourable outcome against all orders passed by SRB, therefore, no provision has been made in this regard. For income tax contingencies, refer note 27.

- 20.1.2 The SRB issued notice to the Company in respect of short payment of sales tax for the tax periods from July 2011 to June 2018 amounting to Rs. 22.382 million. The Company provided all the relevant details and explanation to the SRB and also paid tax amounting to Rs. 6.509 million along with penalty and default surcharge amounting to Rs. 0.375 million under the amnesty scheme provided through notification no. SRB-3-4/11/2018 dated May 18, 2018.

After the compliance and payment no further notice has been received.

- 20.1.3 During the year 2019-20, one of the client filed a case before the civil court of Lahore, against the Company, Pakistan Stock Exchange Limited, Securities and Exchange Commission of Pakistan and Central Depository Company, seeking rendition of accounts and permanent injunction from the Company. The case is pending before the Civil Court Lahore. The Company based on its lawyer's assessment and its legal standing is confident of a favourable outcome of the same, therefore, no provision has been made in this regard. The possibility of materialisation of this case against the Company is remote.

20.2 Commitments	2023	2022
	----- Rupees -----	
For sale of quoted securities under future contracts against counter commitments	<u>56,364,595</u>	<u>91,004,555</u>
For purchase of quoted securities under future contracts against counter commitments	<u>68,942,430</u>	<u>29,860,475</u>

By

		2023	2022
	Note	----- Rupees -----	
21. OPERATING REVENUE			
Brokerage income		100,545,129	194,280,119
Advisory / consultancy fee		33,589,539	277,257,212
Debt capital market services		565,000	-
Revenue including sales tax on services	21.2	134,699,668	471,537,331
Less: Sales tax on services		15,496,422	54,247,658
Net revenue excluding sales tax on services	21.1	<u>119,203,246</u>	<u>417,289,673</u>
21.1 Disaggregation of revenue by timing of revenue recognition			
<i>Timing of revenue recognition</i>			
Services transferred at a point in time		88,977,990	171,929,309
Services transferred over time		30,225,256	245,360,364
		<u>119,203,246</u>	<u>417,289,673</u>
21.2	This includes brokerage earned from related parties amounting to Rs. 1.634 million (2022: Rs. 5.368 million).		
22. CAPITAL GAIN / (LOSS) ON SALE OF INVESTMENTS	Note	2023	2022
		----- Rupees -----	
Gain / (loss) on sale of short term investments in listed equity securities		10,374,433	(5,297,102)
		<u>10,374,433</u>	<u>(5,297,102)</u>
23. OPERATING EXPENSES			
Salaries, wages and other benefits		72,119,679	113,804,141
Consultancy fees	23.1	5,385,363	762,770
Sub-underwriting commission	23.2	-	1,083,374
Commission and referral fee	23.3	-	29,005,765
Service and transaction charges		7,237,535	14,149,997
Fees and subscription		6,425,324	14,326,648
		<u>91,167,901</u>	<u>173,132,695</u>
23.1	This includes consultancy fee to the Directors of the Company amounting to Rs. 0.639 million (2022: Rs. 0.639 million).		
23.2	This expense was paid as per underwriting agreement entered with several parties this includes transaction with Director of the Company amounting to Rs. nil (2022: 1.083 million).		
23.3	This includes commission to the Directors of the Company amounting to Rs. Nil (2022: Rs. 19.059 million).		

ky

24. ADMINISTRATIVE EXPENSES	Note	2023	2022
		----- Rupees -----	
Salaries, wages and other benefits	24.1	54,406,073	85,852,246
Telephone and communication charges		5,510,100	6,304,288
Rent rates and taxes		-	268,819
Utility charges		5,301,968	3,875,853
Vehicle running expenses		6,503,830	4,272,531
Depreciation	4	20,940,394	20,616,202
Depreciation on right of use asset	5	5,422,985	6,427,548
Amortisation	6.2	163,667	133,543
Legal and professional charges		1,954,280	3,763,797
Insurance		3,949,567	2,671,140
Printing, stationery and postage charges		1,563,592	1,619,544
Office supplies		1,590,380	1,329,038
Office repair and maintenance		3,129,397	3,975,133
Fees and subscription		1,316,030	2,934,374
Travelling and entertainment charges		1,244,663	2,454,622
Advertisement expenses		1,035,200	740,394
Auditor's remuneration	24.2	1,269,000	2,010,292
Security		3,631,447	4,564,183
Generator Fuel		537,622	339,024
Miscellaneous		2,980,891	5,641,272
		<u>122,451,086</u>	<u>159,793,843</u>
24.1 This includes remuneration to Chief Executive Officer amounting to Rs. 18 million (2022: Rs. 69.43 million).			
24.2 Auditors' remuneration		2023	2022
		----- Rupees -----	
Audit fee		900,000	900,000
Half yearly review		150,000	250,000
Other services / certifications		100,000	475,000
Out of pocket expenses		25,000	235,292
Sindh sales tax		94,000	150,000
		<u>1,269,000</u>	<u>2,010,292</u>
25. FINANCE COST			
Bank charges		508,154	624,422
Interest on lease liabilities		6,847,574	4,815,637
Mark up charges		11,192,052	20,629,339
		<u>18,547,780</u>	<u>26,069,398</u>
26. OTHER INCOME			
<i>Mark-up / interest on:</i>			
- Bank balances - profit and loss account		21,244,893	22,648,829
- Income Under Margin Financing System		1,743,778	8,344,598
- Income Under Margin Trading System		857,650	-
- Term Finance Certificates		726,780	465,625
Profit on cash margin		7,008,504	13,532,834
Dividend income		3,703,690	475,350
Gain on lease termination		-	319,359
Others		5,231,741	1,781,557
		<u>40,517,036</u>	<u>47,568,152</u>

by

27. TAXATION	Note	2023 ----- Rupees -----	2022
27.1 Relationship between income tax expense and accounting profit			
(Loss) / profit before taxation		<u>(89,651,949)</u>	<u>63,294,727</u>
Tax at the applicable tax rate of 29% (2022: 29%)		-	18,355,471
Tax effect of change in tax rates		-	-
Tax effect of permanent difference		-	-
Tax effect of amount relating to prior year		-	(1,947,533)
Tax effect of income taxed at different tax rates		-	16,108,074
Tax effect of minimum tax and Alternate Corporate Tax (ACT)		-	-
	27.1.1	<u>-</u>	<u>32,516,012</u>

27.1.1 Since, there is no accounting profit during the year ended June 30, 2023 and tax has been charged under minimum tax provisions therefore, no tax reconciliation is prepared for the year then ended.

27.1.2 The income tax returns of the Company have been filed up to tax year 2022 under the Universal Self Assessment Scheme. This scheme provides that the return filed is deemed to be an assessment order. The returns may be selected for audit within five years. The Income Tax Commissioner may amend assessment if any objection is raised during audit.

27.1.3 Order under section 161 and 205 of the Income Tax Ordinance 2001 has been passed by the Assistant Commissioner Inland Revenue in respect of monitoring of withholding of taxes for the tax year 2016 on account of short deduction of tax on payments made by the Company amounting to Rs. 0.10 million.

Order under section 161 and 205 of the Income Tax Ordinance 2001 has been passed by the Assistant Commissioner Inland Revenue in respect of monitoring of withholding of taxes for the tax year 2011 on account of short deduction of tax on payments made by the Company amounting to Rs. 0.876 million. Against the said order the company has preferred an appeal before the Commissioner Inland Revenue (Appeals) under section 127 of Income Tax Ordinance 2001. The case has been heard, however, the decision in appeal is still pending. The management based on the advice of its advisor is confident regarding the outcome of the case. Thereby no provision is made within the financial statements.

Order for amendment in assessment under section 122 (5A) of the Income Tax Ordinance 2001 has been passed by the tax authorities for the tax year 2011 on the basis that the tax deduction under section 153(1)(b) of the Ordinance was minimum tax, therefore, no refund is allowable to the Company creating tax demand of Rs. 26,698. The Company has preferred an appeal before the Commissioner Inland Revenue (Appeals) under section 127 of Income Tax Ordinance, 2001, where hearing in appeal is pending. The management based on the advice of its advisor is confident regarding the outcome of the case. Thereby no provision is made within the financial statements.

The Company was selected for audit in respect of tax year 2016 through Random Computer Balloting in accordance with section 214C of the ordinance. The notice for submission of details was issued by Zone-V, Corporate Regional Tax Office, Karachi whereas jurisdiction of the company falls with Zone-I Corporate Regional Tax office, Karachi. The same was responded and no further notice has been received yet.

ky

28. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED	Note	2023	2022
		----- Rupees -----	
Profit for the year, attributable to ordinary shareholders of the Company		<u>(97,213,659)</u>	<u>30,778,715</u>
		----- Number -----	
Weighted average number of ordinary shares	16	56,925,000	49,500,000
At bonus shares for adjusted EPS		-	7,425,000
		<u>56,925,000</u>	<u>56,925,000</u>
		2023	Restated 2022
		----- Rupees -----	
Earnings per share basic and diluted		<u>(1.71)</u>	<u>0.54</u>

28.1 There is no dilutive impact on earnings per share.

28.2 The Company issued bonus shares during the year and accordingly the earnings per share for the comparative year has been restated.

29. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties comprise of associated companies, directors and key management personnel. Transactions with related parties are at terms determined in accordance with the agreed rates. Transactions and balances with related parties other than those disclosed elsewhere are as follows:

29.1 Transactions during the year	2023	2022
	----- Rupees -----	
Directors and their relatives		
Commission to traders	-	7,844,001
Consultancy fee	<u>636,979</u>	<u>636,979</u>
Brokerage income	<u>1,304,322</u>	<u>2,229,905</u>
Sub-underwriting commission	-	1,083,374
Key Management Personnel of the Company		
Commission to traders	-	783,824
Brokerage income	<u>329,552</u>	<u>3,138,313</u>
Salaries and Consultancy fee paid for the development of i-invest software	<u>31,917,109</u>	<u>13,606,603</u>
29.2 Balances outstanding as at year end		
Directors and their relatives		
Receivable from clients on account of:		
- Purchase of shares on behalf of clients	<u>442,796</u>	<u>302,302</u>
Trade creditors	<u>1,392,203</u>	<u>13,607,311</u>
Accrued commission to traders	-	70,434
Commission Receivable from Traders	-	951,899
Key Management Personnel of the Company		
Receivable from clients on account of:		
- Purchase of shares on behalf of clients	<u>6,819,261</u>	<u>4,210,968</u>
Trade creditors	<u>29,587</u>	<u>368,917</u>
Accrued commission to traders	<u>193,550</u>	<u>2,428,369</u>

km

29.3 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVE

The aggregate amounts charged in the financial statements for the year in respect of remuneration, including benefits to directors and executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2023	2022	2023	2022	2023	2022
	----- Rupees -----					
Managerial remuneration	12,000,000	12,000,000	6,400,000	6,400,000	43,805,265	37,607,778
House rent allowance	4,800,000	4,800,000	2,560,000	2,560,000	17,522,106	15,043,111
Medical	1,200,000	1,200,000	640,000	640,000	4,380,527	3,760,778
Bonus	-	51,432,783	-	-	500,000	19,200,000
Commission	-	-	-	7,844,001	-	783,824
Consultancy fee	-	-	636,979	636,979	-	2,751,310
Sub-underwriting commission	-	-	-	1,083,374	-	-
Bonus	-	-	-	-	-	-
Contribution to voluntary pension fund	-	-	266,667	533,333	2,866,197	-
	<u>18,000,000</u>	<u>69,432,783</u>	<u>10,503,646</u>	<u>19,697,687</u>	<u>69,074,095</u>	<u>79,146,801</u>
Number	<u>1</u>	<u>1</u>	<u>2</u>	<u>6</u>	<u>16</u>	<u>15</u>

29.3.1 The CEO and executives are provided with the Company maintained cars. In addition, the CEO and executives are also entitled for other benefits in accordance with the terms of employment.

29.3.2 The Chairman of the Board has been provided with the Company maintained car along with fuel and chauffeur.

29.3.3 No fees is paid to directors for attending meetings.

30. FINANCIAL INSTRUMENTS BY CATEGORY

FINANCIAL ASSETS

	2023	2022
	----- Rupees -----	
<i>At amortised cost</i>		
Term finance certificates	4,020,000	4,019,064
Investment in marginal financing system	-	9,300,902
Trade debts	217,288,698	296,102,104
Deposits and prepayments	43,119,188	121,434,120
Advances and other receivables	3,617,353	206,459,463
Cash and bank balances	87,340,767	221,673,403
<i>At fair value through profit or loss</i>		
Listed equity securities	205,957,399	60,400,032
	<u>561,343,405</u>	<u>919,389,088</u>

FINANCIAL LIABILITIES

<i>At amortised cost</i>		
Unclaimed dividend	3,004,827	3,004,827
Current portion of lease liabilities	8,910,322	7,575,077
Short term borrowing - secured	150,000,000	149,997,195
Trade and other payables	201,456,378	440,746,770
Contract liability	-	1,166,658
	<u>363,371,527</u>	<u>602,490,527</u>

BK

The maximum exposure to credit risk before any credit enhancements at June 30, 2023 is the carrying amount of the financial assets as set out below:

	Note	2023 ----- Rupees -----	2022
Long term deposits	8	4,764,761	17,664,761
Investment in marginal financing system	11	-	9,300,902
Trade debts	12	217,288,698	296,102,104
Advances	14	907,500	341,013
Deposits	13.1, 13.2 & 13.3	39,365,927	118,274,126
Other receivables	14	2,709,853	6,118,450
Cash and Bank balances	15	87,340,767	221,673,403
		<u>352,377,506</u>	<u>669,474,759</u>

The aging for trade debtors at the balance sheet date is as follows:

	2023		2022	
	Gross	Impairment	Gross	Impairment
----- Rupees -----				
Past due 0 - 90 days	178,569,877	685,854	293,254,269	389,018
Past due 91 - 180 days	41,591,512	7,548,385	2,321,010	224,577
Past due 181 days - 270 days	6,628,249	2,469,941	1,149,243	313,047
Past due 271 days - 365 days	3,813,223	2,609,983	973,098	668,874
More than 365 days	13,086,441	13,086,441	10,828,126	10,828,126
	<u>243,689,302</u>	<u>26,400,604</u>	<u>308,525,746</u>	<u>12,423,642</u>

Except for the impairment disclosed above, no impairment has been recognized in respect of these receivables as the security against the same is adequate.

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.

67

Credit rating and collaterals

Bank

	Rating Agency	Short term rating	Long term rating	June 30, 2023	
				Rupees	(%)
Askari Bank Limited	PACRA	A1+	AA+	3,814	0.004
Bank Al Habib Limited	PACRA	A1+	AAA	166,799	0.191
Bank Alfalah Limited	PACRA	A1+	AA+	1,670,087	1.913
Faysal Bank Limited	PACRA	A1+	AA	15,714	0.018
Habib Bank Limited	VIS	A1+	AAA	754,404	0.864
Habib Metropolitan Bank Limited	PACRA	A1+	AA+	3,045,853	3.488
JS Bank Limited	PACRA	A1+	AA-	8,634	0.010
MCB Bank Limited	PACRA	A1+	AAA	79,336,115	90.857
MCB Islamic Bank Limited	PACRA	A1	A	365,526	0.419
Meezan Bank Limited	VIS	A1+	AAA	1,134,884	1.300
The Bank of Punjab	PACRA	A1+	AA+	740,852	0.848
United Bank Limited	VIS	A1+	AAA	12,351	0.014
Soneri Bank Limited	PACRA	A1+	AA-	65,113	0.075
				87,320,146	100

	Rating Agency	Short term rating	Long term rating	June 30, 2022	
				Rupees	(%)
Askari Bank Limited	PACRA	A1+	AA+	3,814	0.002
Bank Al Habib Limited	PACRA	A1+	AAA	127,339	0.057
Bank Alfalah Limited	PACRA	A1+	AA+	681,608	0.307
Faysal Bank Limited	PACRA	A1+	AA	7,293	0.003
Habib Bank Limited	VIS	A1+	AAA	17,228,496	7.772
Habib Metropolitan Bank Limited	PACRA	A1+	AA+	3,029,493	1.367
JS Bank Limited	PACRA	A1+	AA-	92,555	0.042
MCB Bank Limited	PACRA	A1+	AAA	197,716,333	89.195
MCB Islamic Bank Limited	PACRA	A1	A	359,157	0.162
Meezan Bank Limited	VIS	A1+	AAA	1,679,259	0.758
The Bank of Punjab	PACRA	A1+	AA+	740,852	0.334
United Bank Limited	VIS	A1+	AAA	141	0.001
				221,666,340	100

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is diversified and transactions are entered into with credit-worthy counterparties of diverse natures thereby mitigating any significant concentrations of credit risk.

BM

31.2 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 difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability 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, including interest payments:

	June 30, 2023					
	Carrying amount	Maturities				
		Contractual cash flows	Less than six months	Upto one year	One to two years	Two to five years
----- Rupees -----						
Unclaimed dividend	3,004,827	(3,004,827)	(3,004,827)	-	-	-
Trade and other payables	201,456,378	(201,456,378)	(201,456,378)	-	-	-
Short term borrowing	150,000,000	(150,000,000)	(150,000,000)	-	-	-
	<u>354,461,205</u>	<u>(354,461,205)</u>	<u>(354,461,205)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	June 30, 2022					
	Carrying amount	Maturities				
		Contractual cash flows	Less than six months	Upto one year	One to two years	Two to five years
----- Rupees -----						
Unclaimed dividend	3,004,827	(3,004,827)	(3,004,827)	-	-	-
Short term loans-unsecured	149,997,195	(149,997,195)	(149,997,195)	-	-	-
Trade and other payables	440,746,770	(440,746,770)	(440,746,770)	-	-	-
Contract liability	1,166,658	(1,166,658)	(1,166,658)	-	-	-
	<u>594,915,450</u>	<u>(594,915,450)</u>	<u>(594,915,450)</u>	<u>-</u>	<u>-</u>	<u>-</u>

On the balance sheet date, the Company has cash and bank balances of Rs. 87.340 million (2022: Rs. 221.673 million).

By

31.3 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 or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

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

Market risk management

The Company manages market risk by monitoring exposure on marketable securities by following the internal risk management and investment policies and guidelines.

Currency risk

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

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market yield.

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

	Effective Interest Rate		Carrying Amount	
	2023	2022	2023	2022
	----- (Percentage) -----		----- Rupees -----	
Variable rate instruments				
<i>Financial assets</i>				
Bank balances	12.50% to 18.50%	5.5% to 6.61%	<u>87,340,767</u>	<u>221,673,403</u>
Term finance certificates	6 months KIBOR + 2%	6 months KIBOR + 2%	<u>4,020,000</u>	<u>4,019,064</u>
<i>Financial liabilities</i>				
Short term borrowing	3 months KIBOR + 3.5%	3 months KIBOR + 3.5%	<u>150,000,000</u>	<u>149,997,195</u>
<i>Fixed rate instruments</i>				
Deposits with National Clearing Company of Pakistan Limited	10.75% to 17.00%	4.00% to 5.61%	<u>39,365,927</u>	<u>118,274,126</u>

hm

Fair Value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not have affected the after tax profit of the Company.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for June 30, 2023.

	Profit and loss		Equity	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
	Rupees			
As at June 30, 2023				
Cash and bank balances	873,408	(873,408)	873,408	(873,408)
As at June 30, 2022				
Cash and bank balances	2,216,734	(2,216,734)	2,216,734	(2,216,734)

Price risk

Price risk includes equity price risk which is the risk of changes in the fair value of equity securities as a result of changes in the levels of PSX-Index and the value of individual shares.

The table below summarises the Company's equity price risk as of June 30, 2023 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end.

	Hypothetical price change	Fair value	Estimated fair value after hypothetical change in price	Hypothetical increase / (decrease) in profit / (loss) after tax	Hypothetical increase / (decrease) in OCI	Hypothetical increase / (decrease) in shareholders' equity
June 30, 2023	10% increase	205,957,399	226,553,139	20,595,740	-	20,595,740
	10% decrease		185,361,659	(20,595,740)	-	(20,595,740)
June 30, 2022	10% increase	60,400,032	66,440,035	6,040,003	-	6,040,003
	10% decrease		54,360,029	(6,040,003)	-	(6,040,003)

The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios.

67

31.4 Operational risk

Operational risk is the risk of direct or 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 risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for stakeholders.

Senior management ensures that the Company's staff have adequate training and experience and fosters effective communication related to operational risk management.

32. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in arm's length transaction. The table below analysis financial instruments carried at fair value, by valuation method. The different levels (methods) have been defined as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Fair value of the financial assets that are traded in active markets are based on quoted market prices. The following table shows fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. These financial assets and financial liabilities, except investment in shares of PSX, are short term and their fair value approximates their carrying value.

On balance sheet financial instruments

	June 30, 2023				Fair value		
	Carrying value				Level 1	Level 2	Level 3
	Mandatorily at FVTPL	FVTOCI - equity instrument	Financial asset at amortised cost	Other financial liabilities			
	----- Rupees -----						
Financial assets measured at fair value							
Listed equity securities	205,957,399	-	-	-	205,957,399	-	-
Financial assets not measured at fair value							
Term finance certificates	-	-	4,020,000	-			
Long term deposits	-	-	4,764,761	-			
Trade debts - considered good	-	-	217,288,698	-			
Deposits and prepayments	-	-	43,119,188	-			
Advances and other receivables	-	-	2,709,853	-			
Cash and bank balances	-	-	87,340,767	-			
	205,957,399	-	359,243,267	-			

My

June 30, 2023						
Carrying value				Fair value		
Mandatorily at FVTPL	FVTOCI - equity instrument	Financial asset at amortised cost	Other financial liabilities	Level 1	Level 2	Level 3
----- Rupees -----						

Financial liabilities not measured at fair value

Unclaimed dividend	-	-	-	3,004,827		
Trade and other payables	-	-	-	201,456,378		
Short term borrowing	-	-	-	150,000,000		
	-	-	-	<u>354,461,205</u>		

On balance sheet financial instruments

June 30, 2022						
Carrying value				Fair value		
Mandatorily at FVTPL	FVTOCI - equity instrument	Financial asset at amortised cost	Other financial liabilities	Level 1	Level 2	Level 3
----- Rupees -----						

Financial assets measured at fair value

Listed equity securities	60,400,032	-	-	-	60,400,032	-
--------------------------	------------	---	---	---	------------	---

Financial assets not measured at fair value

Term finance certificates	-	-	4,019,064	-	-	-
Long term deposits	-	-	17,664,761	-	-	-
Trade debts - considered good	-	-	296,102,104	-	-	-
Investment in marginal financing	-	-	9,300,902	-	-	-
Deposits and prepayments	-	-	121,434,120	-	-	-
Advances and other receivables	-	-	206,118,450	-	-	-
Cash and bank balances	-	-	221,673,403	-	-	-
	<u>60,400,032</u>	-	<u>876,312,804</u>	-	-	-

Financial liabilities not measured at fair value

Unclaimed dividend	-	-	-	3,004,827		
Trade and other payables	-	-	-	440,746,770		
Contract liability	-	-	-	1,166,658		
Short term borrowing	-	-	-	149,997,195		
	-	-	-	<u>594,915,450</u>		

fm

33. CAPITAL RISK MANAGEMENT

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

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. 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 Pakistan Stock Exchange. 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.

34. OPERATING SEGMENTS

	2023			Total
	Equity Brokerage	Investment Banking	Other Operations	
----- Rupees -----				
Segment revenues	75,581,904	30,225,256	13,396,086	119,203,246
Administrative and operating expenses (other than depreciation and amortization)	117,867,923	46,772,985	20,580,114	185,221,022
Depreciation	16,608,929	6,590,845	2,899,972	26,099,746
Amortisation of intangible assets	103,110	40,917	18,003	162,030
Net Impairment reversal on Trade Debts	(13,976,962)	-	-	(13,976,962)
Capital gain or loss on sale of investments	-	-	10,374,433	10,374,433
Unrealized gain / loss	-	-	(13,602,935)	(13,602,935)
Finance cost	(11,685,101)	(4,636,945)	(2,040,256)	(18,362,302)
Finance Income	34,972,786	-	1,840,560	36,813,346
Taxation	(4,763,877)	(1,890,428)	(831,788)	(7,486,093)
Segment assets	630,949,209	111,273,336	408,324,295	1,150,546,840
Segment liabilities	248,813,592	97,192,810	42,764,836	388,771,238
Capital expenditure	76,076,561	1,241,267	4,554,906	81,872,734

There were no major customer of the Company which derived 10 percent or more of the Company's revenue. All non-current assets of the Company as at June 30, 2023 and June 30, 2022 are located and operating in Pakistan.

	2022			Total
	Equity Brokerage	Investment Banking	Other Operations	
----- Rupees -----				
Segment revenues	159,256,572	245,527,032	12,672,737	417,456,341
Administrative and operating expenses (other than depreciation and amortization)	118,395,366	40,468,134	148,500,286	307,363,786
Depreciation	10,342,296	3,535,049	12,972,078	26,849,423
Amortisation of intangible assets	51,440	17,583	64,520	133,543
Capital gain or (loss) on sale of investments	-	-	(5,297,102)	(5,297,102)
Unrealized gain / loss	-	-	(32,534,222)	(32,534,222)
Net Impairment on Trade Debts	(4,735,838)	-	-	(4,735,838)
Finance cost	(23,433,894)	(3,361,127)	(173,483)	(26,968,504)
Finance Income	44,484,033	-	2,891,566	47,375,599
Taxation	(13,311,572)	(19,063,007)	(141,433)	(32,516,012)
Segment assets	630,949,209	111,273,336	408,324,295	1,150,546,840
Segment liabilities	556,774,917	15,588,781	52,922,861	625,286,559
Capital expenditure	76,076,561	1,241,267	4,554,906	81,872,734

35. BASE MINIMUM CAPITAL

In compliance with the Regulation 19.2 of the Rule Book of Pakistan Stock Exchange Limited, every Trading Right Entitlement Certificate (TREC) holder registered as a broker under Brokers and Agents Registration Rules, 2001, 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 June 30, 2023, the Company is required to maintain BMC of Rs. 30.625 million.

The notional value of the TREC and the break-up value of the shares for the purpose of BMC is determined by the PSX as under:

	2023 Rupees
Cash	-
Trading Right Entitlement Certificates	<u>2,500,000</u>
	<u>2,500,000</u>

The Company has pledged shares of Pakistan Stock Exchange for taking exposures in regular and future market against Base Minimum Capital (BMC) requirement.

Signature

36. LIQUID CAPITAL BALANCE

The below statement has been prepared in accordance with regulation 6(3) and schedule III of the Securities Brokers (Licensing and Operations) Regulations, 2016.

S. No.	Head of Account	Value In Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.1	Property & Equipment	62,729,007	100%	-
1.2	Intangible Assets	132,316,263	100%	-
1.3	Investment in Government Securities: (Haircut applied on the basis of Difference between book value and sale value on the date on the basis of PKRV published by NIFT)	-	-	-
	Investment in Debt Securities			
	If listed then:			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.	-	5%	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	7.5%	-
1.4	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	4,020,000	10%	3,618,000
	If unlisted then:			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.	-	10%	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	12.5%	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	15%	-
	Investment in Equity Securities			
1.5	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	205,957,399	27,494,403	178,462,996
1.6	Investment in subsidiaries	-	100%	-
	Investment in associated companies/undertaking			
1.7	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	100%	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	2,775,000	100%	-
1.9	Margin deposits with exchange and clearing house.	39,365,927	0%	39,365,927
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	0%	-
1.11	Other deposits and prepayments	23,816,101	100%	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.	-	0%	-
	100% haircut to be applied in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	100%	-
1.13	Dividends receivable.	-	-	-
1.14	Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. (<i>Securities purchased under repo arrangement shall not be included in the investments.</i>)	-	-	-
	Advances and Receivables other than trade receivables			
1.15	i. No Haircut may be applied on the short term loan to employees provided these loans are secured and due for repayment within 12 months	-	0%	-
	ii. No Haircut may be applied to the advance tax to the extent it is netted with provision of taxation	41,208,698	100%	-
	iii. In all other cases, 100% of net value	-	100%	-
1.16	Receivables from clearing house or securities exchange(s) 100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-
	Receivables from customers			
	i. In case receivables are against margin financing, the aggregate of (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut.	-	-	-
	i. Lower of net balance sheet value or value determined through adjustments.			
	ii. In case receivables are against margin trading, 5% of the net balance sheet value.	-	5%	-
	ii. Net amount after deducting haircut			
	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract,	-	-	-
1.17	iii. Net amount after deducting haircut			
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value.	123,610,261	0%	123,610,261
	iv. Balance sheet value			
	v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts.	86,416,380	59,323,772	59,323,772
	v. Lower of net balance sheet value or value determined through adjustments			
	vi. 100% haircut in the case of amount receivable form related parties.	7,262,057	100%	-
	Cash and Bank balances			
1.18	i. Bank Balance-proprietary accounts	24,192,028	0%	24,192,028
	ii. Bank balance-customer accounts	63,128,119	0%	63,128,119
	iii. Cash in hand	20,620	0%	20,620
1.19	Subscription money against investment in IPO/ offer for sale (asset)	-	0%	-
1.20	Total Assets	816,817,860		491,721,723

M

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
2. Liabilities				
Trade Payables				
2.1	i. Payable to exchanges and clearing house	7,817,005	0%	7,817,005
	ii. Payable against leveraged market products	-	0%	-
	iii. Payable to customers	77,232,043	0%	77,232,043
Current Liabilities				
2.2	i. Statutory and regulatory dues	721,962	0%	721,962
	ii. Accruals and other payables	115,685,368	0%	115,685,368
	iii. Short-term borrowings	150,000,000	0%	150,000,000
	iv. Current portion of subordinated loans	-	0%	-
	v. Current portion of long term liabilities	8,910,322	0%	8,910,322
	vi. Deferred Liabilities	-	0%	-
	vii. Provision for taxation	-	0%	-
	viii. Other liabilities as per accounting principles and included in the financial statements	3,004,827	0%	3,004,827
Non-Current Liabilities				
2.3	i. Long-Term financing	25,399,711	100%	-
	ii. Staff retirement benefits	-	0%	-
	iii. Other liabilities as per accounting principles and included in the financial statements	-	0%	-
2.4	Subordinated Loans 100% of Subordinated loans which fulfil the conditions specified by SECP are allowed to be deducted	-	100%	-
2.5	Advance against shares for increase in capital of securities broker 100% Haircut may be allowed in respect of advance against shares if: (i) The existing authorized share capital allows the proposed enhanced share capital (ii) Board of Directors of the company has approved the increase in capital (iii) Relevant Regulatory approvals have been obtained (iv) There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed (v) Auditor is satisfied that such advance is against the increase of capital.	-	100%	-
	Total Liabilities	388,771,238		363,371,527

3. Ranking Liabilities Relating to :

3.1	Concentration in Margin Financing The amount calculated client-to-client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-	-	-
	Concentration in securities lending and borrowing The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-
3.3	Net underwriting Commitments (a) in the case of right issues : if the market value of securities is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issues where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting (b) in any other case : 12.5% of the net underwriting commitments	-	-	-
	Negative equity of subsidiary The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
3.5	Foreign exchange agreements and foreign currency positions 5% of the net position in foreign currency. Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
3.7	Repo adjustment In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities. In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received, less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
	Concentrated proprietary positions If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security	-	-	3,708,822

Bn

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	Opening Positions in futures and options			
3.9	i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral / pledged with securities exchange after applying VaR haircuts	-	-	-
	ii. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met	-	-	-
	Short sell positions			
3.10	i. In case of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts	-	-	-
	ii. In case of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.	-	-	-
3.11	Total Ranking Liabilities	-	-	3,708,822
		428,046,622	Liquid Capital	124,641,374

Summary of Liquid Capital

(i) Adjusted value of Assets (serial number 1.20)	491,721,723
(ii) Less: Adjusted value of liabilities (serial number 2.6)	(363,371,527)
(iii) Less: Total ranking liabilities (serial number 3.11)	(3,708,822)
	124,641,374

by

	2023	2022
	----- Rupees -----	
37.1 CAPITAL ADEQUACY LEVEL		
Total assets	816,817,860	1,150,546,840
Less: Total liabilities	(388,771,238)	(625,286,559)
Revaluation reserves	-	-
Capital adequacy level	<u>428,046,622</u>	<u>525,260,281</u>

37. RESEARCH ANALYST

At present, the Company employs only 1 member in the Research Department i.e Head of Research reporting directly to the Chief Executive Officer.

Compensation structure of research department is flat and is subject to qualification, experience and skill set 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, the personnel employed in the Research Department have drawn an aggregate salary and benefits amounting to Rs. 5.4 million which comprise basic salary, medical allowance and other benefits as per the Company's policy.

38. NUMBER OF EMPLOYEES

The total employees at year end were 67 (2022: 74) and the average number of employees during the year was 68 (2022: 65).

39. GENERAL

39.1 Corresponding figures

The corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on 29 SEP 2023 by the Board of Directors of the Company.



Chief Executive Officer



Chief Financial Officer



Director