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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
KP SECURITIES (PRIVATE) LIMITED**

**Opinion**

We have audited the annexed financial statements of **KP SECURITIES (PRIVATE) LIMITED** (the Company) which comprises the statement of financial position as at June 30, 2022, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit.

In our opinion and to the best of our information and according to explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2022 and of the loss, other comprehensive income, changes in equity, cash flows for the year then ended.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' 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.

**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 the 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 is responsible for overseeing the Company's financial reporting process.



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

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

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

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


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

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with books of account and returns;
- c) investment made, expenditure incurred and guarantees extended during the year were for the purpose of the Companies 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 Futures Act, 2016, and the relevant requirements of the Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the statement of financial position was prepared.

The engagement partner on the audit of “**KP SECURITIES (PRIVATE) LIMITED**” for the year ended June 30, 2022 resulting in this independent auditor’s report is C.A Habib.

Place: Islamabad  
Dated: November 25, 2022  
UDIN: AR202210592vYD9zcWhI

  
**CROWE HUSSAIN CHAUDHURY & CO.**  
(CHARTERED ACCOUNTANTS)





**KP SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2022**

	Note	2022 ----- Pak Rupees -----	2021
<b>Non-Current Assets</b>			
Property and equipment	7	211,508	252,702
Intangible asset	8	2,500,000	2,500,000
Long-term investments	9	31,790,505	28,677,002
Long-term deposits	10	100,000	500,000
		34,602,013	31,929,704
<b>Current Assets</b>			
Trade debts - net	11	0	0
Loan and advances	12	10,834,814	7,407,814
Deposits	13	196,700	202,000
Income tax - net	14	580,261	416,392
Short-term investments		101,203	-
Cash and bank balances	15	74,361	10,261,130
		11,787,339	18,287,336
		46,389,352	50,217,040
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	16	37,419,100	37,419,100
Fair value reserves		11,182,887	8,069,384
Advance against issuance of share capital		0	6,000,000
Unappropriated profit		(2,448,555)	(1,451,303)
		46,153,432	50,037,181
<b>Current Liabilities</b>			
Trade and other payables	17	235,920	174,857
Provision for taxation	18	0	5,002
		235,920	179,859
Contingencies and commitments	19	0	0
		46,389,352	50,217,040

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
**Chief Executive Officer**



  
**Director**





**KP SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022 ----- Pak Rupees -----	2021
Revenue		0	0
Unrealized gain/(loss) on investments		0	0
		0	0
Operating and administrative expenses	20	(2,342,278)	(2,370,343)
Operating profit		(2,342,278)	(2,370,343)
Bank charges		(2,438)	(4,719)
Other income and losses	21	1,347,464	723,577
Loss before taxation		(997,252)	(1,651,486)
Tax expense	22	0	0
Loss for the year		(997,252)	(1,651,486)

The annexed notes from 1 to 37 form an integral part of these financial statements.



Chief Executive Officer



  
Director





**K.P. SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Note	2022 ----- Pak Rupees -----	2021
Loss for the year	(997,252)	(1,651,486)
Other comprehensive income		
Net change in fair value of available-for-sale financial assets	3,113,503	546,232
Total comprehensive income/(loss) for the year	2,116,251	(1,105,254)

The annexed notes from 1 to 37 form an integral part of these financial statements.

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Chief Executive Officer



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 Director

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**KP SECURITIES (PRIVATE) LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2022**

	Share Capital	Advance against issuance of share capital	Fair value reserve	Unappropriated profit/(loss)	Total
	----- Pak Rupees -----				
<b>Balance as at 30 June 2020</b>	37,419,100	-	7,523,152	200,183	45,142,435
Loss for the year	0	0	0	(1,651,485.59)	(1,651,485.59)
Advance against of issuance of share capital	0	6,000,000	0	0	6,000,000
Other comprehensive income/(loss) for the year	0	0	546,232	0	546,232
<b>Balance as at 30 June 2021</b>	37,419,100	6,000,000	8,069,384	(1,451,303)	50,037,181
Loss for the year	0	0	0	(997,251.97)	(997,251.97)
Advance against of issuance of share capital	0	(6,000,000)	0	0	(6,000,000)
Prior year adjustment	0	0	0	0	0
Other comprehensive income/(loss) for the year	0	0	3,113,503	0	3,113,503
<b>Balance as at 30 June 2022</b>	37,419,100	0	11,182,887	(2,448,555)	46,153,432

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive Officer





  
\_\_\_\_\_  
Director



**KP SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Note	2022 ----- Pak Rupees -----	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(997,252)	(1,651,486)
Adjustments:		
Depreciation and impairment	41,194	49,982
Interest Income	(252,915)	(122,726)
Finance cost	2,438	0
Dividend income	(1,092,487)	(600,851)
Operating cash flow before working capital changes	(2,299,022)	(2,325,080)
<b>Changes in:</b>		
Accounts receivable	0	0
Advances and other receivables	(3,427,000)	6,264,000
Deposits and prepayments	5,300	0
Short-term investments	(101,203)	0
Trade payables	61,063	(228,061)
Cash flows (used in) / generated from operations	(3,461,840)	6,035,939
	(5,760,862)	3,710,859
<b>Proceeds from net sales of / (acquisition of) short-term investments</b>		
Interest Received	252,915	122,726
Dividend received	1,092,487	600,851
Finance cost paid	(2,438)	0
Taxes paid	(168,871)	(194,181)
Net cash (used in) / generated from operating activities	(4,586,769)	4,240,255
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term deposits	400,000	0
Advance against issuance of share capital	(6,000,000)	6,000,000
Net cash (used in) / generated from financing activities	(5,600,000)	6,000,000
Net (decrease)/increase in cash and cash equivalents	(10,186,769)	10,240,255
Cash and cash equivalents at the beginning of the year	10,261,130	20,876
Cash and cash equivalents at the end of the year	15 74,361	10,261,130

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
Chief Executive Officer



  
Director





**KP SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

KP Securities (Private) Limited (the "Company") was incorporated in Pakistan on June 20, 2007 as a private limited company under the Companies Ordinance, 1984. The Company's registered office is situated at Islamabad Stock Exchange Tower. The Company is principally engaged in the business of investment advisory, purchase and sale of securities, financial consultancy, brokerage, underwriting, portfolio management and securities research.

**2 STATEMENT OF COMPLIANCE**

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

**3 USE OF ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods in other cases. Judgments made by management in the application of approved accounting standards that may have a significant effect on the financial statements and estimates with significant risk of material adjustment in the next year are discussed in respective policy notes. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgement was exercised in application of accounting policies are as follows:

- (i) Estimates of useful lives and residual values of items of property, plant and equipment (Note 7);
- (ii) Estimates of useful lives of intangible assets (Note 8);
- (iii) Provision against doubtful debts (Note 11);
- (iv) Classification, recognition, measurement / valuation of financial instruments (Multiple notes); and
- (v) Provision for taxation (Note 21, 27)

**4 BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention except where disclosed otherwise.

**5 NEW AND REVISED STANDARD AND INTERPETATION**

Standards, Amendments and interpretations to existing standards that are not yet effective and have not been early adopted by company are as follows:

	<b>Descriptions</b>	<b>Effective date</b>
IAS-1	Presentation of Financial statements (Amendments)	Jan -01-2023
IAS-8	Accounting policies, changes sin accounting estimates and errors (Amendn	Jan -01-2023
IAS-12	Income taxes (Amendments)	Jan -01-2023
IFRS-4	Insurance contracts (Amendments)	Jan -01-2023
IAS-16	Property, plant and Equipments (Amendments)	Jan -01-2022
IAS-37	Provisions, contingent liabilities and assets (Amendments)	Jan -01-2022
IAS-41	Agriculture (Amendments)	Jan -01-2022
IFRS-3	Business combinations (Amendment)	Jan -01-2022
IFRS-9	Financial instruments (Amendments)	Jan -01-2022
IFRS-16	Leases (Amendments)	Jan -01-2022



**KP SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

The management anticipates that adoption of above standards, amendments and interpretations in future periods, will have no material impact on financial statements other than the impact on Presentation or

Further, the following standards and interpretations have been issued by the international accounting standard board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

- IFRS-1 First time adoption of International financial reporting standard
- IFRS-17 Insurance contracts

The following interpretations issued by the IASB has been waived off by SECP:  
IFRIC-1: Service concession arrangements

**0.1 Property, plant and equipment**

Items of property and equipment are stated at cost less accumulated depreciation (if any) and impairment losses (if any). Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Where such subsequent costs are incurred to replace parts and are capitalized, the carrying amount of replaced parts is derecognized. All other repair, maintenance and day-to-day servicing expenditures are charged to the profit and loss account during the year in which they are incurred.

Depreciation on all items of property and equipment is calculated using the reducing balance method in accordance with the rates specified in note 7 to these financial statements and after taking into account residual value, if material. Residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation is charged on an asset from when the asset is available for use until the asset is disposed of.

An item of property and equipment is derecognized upon disposal or when no future benefits are expected from its use or disposal. Any gain or loss arising on asset derecognition (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year in which the asset is derecognized.

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

**0.2 Intangible assets**

Intangible assets with indefinite useful lives, including Trading Right Entitlement Certificate ("TREC"), are stated at cost less accumulated impairment losses, if any. An intangible asset is considered as having an indefinite useful life when, based on an analysis of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company. An intangible asset with an indefinite useful life is not amortized. However, it is tested for impairment at each balance sheet date or whenever there is an indication that the asset may be impaired. Gains or losses on disposal of intangible assets, if any, are recognized in the profit and loss account during the year in which the assets are disposed of.

**6.3 Financial Instruments**

Initial measurement of financial asset

The Company classifies its financial assets into following three categories:

- fair value through other comprehensive income (FVTOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.



**KP SECURITIES (PRIVATE) LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**Subsequent measurement  
Debt Investments  
at FVTOCI**

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

**at Amortized cost**

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest/markup income, and impairment are recognised in the statement of profit or loss.

**at FVTPL**

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

**Equity Investments**

**at FVTOCI**

These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of 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 other comprehensive income and are never reclassified to the

**at FVTPL**

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

**Non-derivative financial assets**

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets. The Company derecognizes the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

**Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to offset and the Company intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements only when permitted by the accounting and reporting standards as applicable in Pakistan.

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, and financial liabilities at amortized cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.



**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 is satisfied. The group has not designated any financial liability as at fair value through profit or loss.

**Financial liabilities at amortized cost (loans and borrowings)**

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

**Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**Impairment**

**Financial Assets**

The Company applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for financial assets measured at amortized cost. The Company's expected credit loss impairment model reflects the present value of all cash shortfalls related to default events, either over the following twelve months, or over the expected life of a financial instrument, depending on credit deterioration from inception. The allowance/provision for credit losses reflects an unbiased, probability-weighted outcomes which considers multiple scenarios based on reasonable and supportable forecasts.

Where there has not been a significant decrease in credit risk since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to the remaining term to maturity is used.

When a financial instrument experiences a significant increase in credit risk subsequent to origination but is not considered to be in default, or when a financial instrument is considered to be in default, expected credit loss is computed based on lifetime expected credit losses.

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



**KP SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Forward-looking information includes reasonable and supportable forecasts of future events and economic conditions. These include macro-economic information, which may be reflected through qualitative adjustments or overlays. The estimation and application of forward-looking information may require significant judgment.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. The Company makes this assessment on an individual asset basis, after consideration of multiple historical and forward-looking factors. Financial assets that are written off may still be subject to enforcement activities in order to comply with the Company's processes and procedures for recovery of amounts due.

**Non-financial assets**

At each reporting date, the company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets 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 Cash Generating Units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of impairment loss for a cash generating unit is allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets. The increase in the carrying amounts shall be treated as reversals of impairment losses for individual assets and recognized in profit or loss unless the asset is measured at revalued amount. Any reversal of impairment loss of a revalued asset shall be treated as a revaluation increase.

**6.4 Trade Receivable**

**Measurement**

Trade receivable are recognized initially at fair value and subsequently measured at cost less allowance for ECL.

**Impairment**

A provision for impairment of trade debts is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debts. The amount of the provision is recognised in the statement of profit or loss. Bad debts are written-off in the statement of profit or loss on identification.

**Judgments and estimates**

Management reviews its trade debtors on a continuous basis to identify receivables where collection of the amount is no longer probable. These estimates are based on historical experience and are subject to change in condition at the time of actual recovery.



**KP SECURITIES (PRIVATE) LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**6.5 Taxation**

**Current**

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using rates enacted or substantively enacted at the reporting date, and takes into account tax credits, exemptions and rebates available, if any. The charge for current tax also includes adjustments, where necessary, relating to prior years which arise from assessments framed / finalized during the year. The charge for current tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

**Deferred**

Deferred tax is recognized using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated using rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. Deferred tax is not recognized on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Deferred tax is charged or credited to the income statement, except in the case of items credited or charged to comprehensive income or equity, in which case it is included in comprehensive income or equity.

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

**6.6 Cash and cash equivalents**

Cash and cash equivalents are carried at cost and include cash in hand, balances with banks in current and deposit accounts, stamps in hand, other short-term highly liquid investments with original maturities of less than three months and short-term running finances.

**6.7 Trade and other payables**

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method. They are classified as current if payment is due within twelve months of the reporting date, and as non-current otherwise.

**6.8 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. The amount recognized represents the best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.



#### **6.9 Borrowings**

These are recorded at the proceeds received. Finance costs are accounted for on accrual basis and are disclosed as accrued interest / mark-up to the extent of the amount unpaid at the reporting date.

#### **6.10 Borrowing costs**

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of the relevant asset.

#### **6.11 Revenue recognition**

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

- Brokerage and commission income is recognized when brokerage services are rendered
- Dividend income is recognized when the right to receive the dividend is established.
- Underwriting commission (if any) is recognized when the agreement is executed. Take-up commission is recognized at the time the commitment is fulfilled.
- Return on deposits is recognized using the effective interest method.
- Income on fixed term investments is recognized using the effective interest method.
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise. Unrealized capital gains / (losses) arising from marking to market financial assets classified as financial assets at fair value through profit or loss are included in profit and loss during the period in which they arise.
- Income / profit on exposure deposits is recognized using the effective interest rate.

#### **6.12 Foreign currency transactions and translation**

Monetary assets and liabilities in foreign currencies are translated into functional currency at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into functional currency at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in income.

#### **6.13 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupee, which is the Company's functional and presentation currency.

#### **6.14 Related party transactions**

All transactions involving related parties arising in the normal course of business are conducted and recorded at rates that are not less than market.



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7 PROPERTY AND EQUIPMENT

2022	As at 1 July 2021	Cost Additions/ (Deletions)	As at 30 June 2022	Accumulated Depreciation		As at 30 June 2022	Written down value as at 30 June 2022	Rate of Depreciation
				As at 1 July 2021	For the year			
Pak Rupees								
Computer equipment	85,750	0	85,750	68,250	5,250	73,500	12,250	0.3
Furniture and fixtures	513,000	0	513,000	291,069	33,290	324,359	188,641	0.15
Vehicles	36,000	0	36,000	22,729	2,654	25,383	10,617	0.2
	<b>634,750</b>	<b>0</b>	<b>634,750</b>	<b>382,048</b>	<b>41,194</b>	<b>423,242</b>	<b>211,508</b>	

2021	As at 1 July 2020	Cost Additions/ (Deletions)	As at 30 June 2021	Accumulated Depreciation		As at 30 June 2021	Written down value as at 30 June 2021	Rate of Depreciation
				As at 1 July 2020	For the year			
Pak Rupees								
Computer equipment	85,750	0	85,750	60,750	7,500	68,250	17,500	0.3
Furniture and fixtures	513,000	0	513,000	251,905	39,164	291,069	221,931	0.15
Vehicles	36,000	0	36,000	19,411	3,318	22,729	13,271	0.2
	<b>634,750</b>	<b>0</b>	<b>634,750</b>	<b>332,065</b>	<b>49,982</b>	<b>382,048</b>	<b>252,702</b>	



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	Note	2022 ----- Pak Rupees -----	2021
<b>8 INTANGIBLE ASSET</b>			
Trading Right Entitlement Certificate ("TREC")	8.1	2,500,000 2,500,000	2,500,000 2,500,000

- 8.1** Pursuant to the Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012, stock exchanges operating as guarantee limited companies were converted to public limited companies. Ownership rights in exchanges were segregated from the right to trade on an exchange. As a result of such demutualization and corporatization, the Company received shares of the relevant exchange and a Trading Rights Entitlement Certificate ("TREC") against its membership card.

The TREC has been recorded as an indefinite-life intangible asset pursuant to the provisions and requirements of IAS 38. As the TREC is not a commonly tradable instrument, the value approved by the Board of Directors of the Pakistan Stock Exchange Limited ("PSX") post-mutualization was used as the initial value of the intangible. The TREC, which has been pledged with the PSX to meet Base Minimum Capital ("BMC") requirements, is assessed for impairment in accordance with relevant approved accounting standards.

	Note	2022 ----- Pak Rupees -----	2021
<b>9 LONG-TERM INVESTMENTS</b>			
Investments available for sale			
ISE Towers Reit Management Limited - opening balance		28,677,002	28,130,770
Adjustment for remeasurement to fair value		3,113,503	546,232
ISE Towers Reit Management Limited (unquoted) - fair value	9.1	31,790,505	28,677,002

**9.1**

As a result of the demutualization and corporatization of stock exchanges as detailed in note 8.1, the Company received 3,034,603 shares of ISE Towers REIT Management Limited. Of these, 60% (1,820,762 shares) were held in a separate Central Depository Company Limited ("CDC") sub-account, blocked until they are sold to strategic investors, financial institutions and/or the general public. The remaining shares (40% of total, or 1,123,842 shares) were allotted to the Company which have been sold during the financial year 2019 and resultantly company hold 1,820,762 shares at year end.

These shares are neither listed on any exchange nor are they actively traded. As a result, fair value has been estimated by reference to the latest break-up or net asset value per share of these shares notified by ISE Towers REIT Management Limited (PKR 17.46 / per share, compared to PKR 15.75/per share as at June 30, 2021).

These shares of ISE Towers REIT Management Limited are pledged with the PSX to meet BMC requirements.



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		2022	2021
	Note	----- Pak Rupees -----	
<b>10 LONG TERM DEPOSITS</b>			
Central Depository Company Limited	10.1	100,000	100,000
National Clearing Company of Pakistan Limited	10.2	0	200,000
Pakistan Stock Exchange Limited	10.3	0	200,000
		100,000	500,000

**10.1** This represents security deposit held with Central Depository Company.

**10.2** This represents security deposit held with National Clearing Company of Pakistan Limited.

**10.3** This represents deposit held with Pakistan Stock Exchange Limited.

		2022	2021
	Note	----- Pak Rupees -----	
<b>11 TRADE DEBTS</b>			
Considered good	11.1	0	0
		0	0
		0	0
Less: Provision for doubtful debts	11.2	0	0
Bad debts		0	0
		0	0

**11.1** The Company has no client-owned securities as collateral against trade debts. The Company recognized a provision for doubtful debts after consideration of a number of factors, including (but not limited to) an analysis of historical bad debt experience, aging of the receivables portfolio, expected future write-offs, the nature and quantum of collateral held, and an assessment of specifically identifiable customer accounts considered at risk or uncollectible.

Trade debts do not include any amounts receivable from related parties.

		2022	2021
	Note	----- Pak Rupees -----	
<b>12 LOANS AND ADVANCES</b>			
Staff advances - unsecured, considered good		11,000	2,000
Receivables from Related party :			
-From directors - net	12.1	10,823,814	7,405,814
		10,834,814	7,407,814
<b>12.1 Receivables from Related party :</b>			
Receivable from the director	12.2	11,416,094	10,566,094
Payable to director	12.3	(592,280)	(3,160,280)
		10,823,814	7,405,814

**12.2** This amount includes the agreed price for sale of 1,213,841 shares of "ISE Tower RIET Management Company Limited" @ Rs 12/- share collectively held in the CDC account to Mr Muhammad Fayyaz Ali in financial year 2019.

**12.3** This represents payments received from Director for office expenses.

		2022	2021
	Note	----- Pak Rupees -----	
<b>13 DEPOSITS</b>			
Security deposit with NCCPL		196700	202000
		196700	202000

**13.1** This represents amount deposited against exposure with National Clearing Company of Pakistan Limited.



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	2022	2021
Note	----- Pak Rupees -----	
<b>14 INCOME TAX REFUNDABLE</b>		
Balance at the beginning of the year	416,392	222,211
Add: Current year additions	163,869	194,181
	580,261	416,392
Less: Adjustment against provision for taxation	0	0
Balance at the end of the year	580,261	416,392

**15 CASH AND BANK BALANCES**

Cash in hand		1,681	0
Cash at bank:			
Current accounts	15.1	16,239	16,239
Savings accounts	15.2	56,441	10,244,891
		72,680	10,261,130
		74,361	10,261,130

**15.1** Cash in current accounts includes customers' assets in the amount of PKR 0 (2021: 11,610) held in designated bank accounts.

**15.2** These carry interest rate of 13.5%. ( 2021: 12%).

	2022	2021
Note	----- Pak Rupees -----	
<b>16 SHARE CAPITAL</b>		
<b>16.1</b> Authorized capital		
1,000,000 (2021: 1,000,000) ordinary shares of PKR 100/ each.	100,000,000	100,000,000
<b>16.2</b> Issued, subscribed and paid-up share capital		
374,191 (2021: 374,191) ordinary shares of PKR 100/- each, issued for cash	37,419,100	37,419,100
	37,419,100	37,419,100

**16.3** Shareholders holding 5% or more of total shareholding

	Number of Shares		Percentage	
	2022	2021	2022	2021
Mr. Muhammad Fayyaz Ali	346,012	346,012	92%	92%
Mr. Mubashir Nazir	22,095	22,095	6%	6%

**16.4** All shares carry equal voting, dividend and bonus rights.

	2022	2021
Note	----- Pak Rupees -----	
<b>17 TRADE AND OTHER PAYABLES</b>		
Trade creditors	20	25,177
Accrued expenses	91,234	44,860
Auditor's remuneration payable	135,000	90,000
Other payables	9,666	14,820
	235,920	174,857



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**18 PROVISION FOR TAXATION**

Provision for taxation have been recorded on the basis of the minimum tax because of accumulated losses. No deferred tax asset has been recorded over the accumulated losses because of the uncertainty regarding the future income to realize the tax benefits.

**19 CONTINGENCIES AND COMMITMENTS**

There are no contingencies or commitments of the Company as at June 30, 2022 (2021: Nil)

	2022	2021
Note	----- Pak Rupees -----	-----
<b>20 ADMINISTRATIVE EXPENSES</b>		
Staff salaries, allowances and other benefits	594,000	674,000
Rent, rates and taxes	792,550	726,000
Postage and courier expense	5,653	6,770
Printing and stationery	3,830	4,980
Software license fee	106,081	88,970
NCCPL charges	10,336	3,671
PSX charges	109,422	10,000
Legal and professional charges	34,268	306,620
Entertainment	7,997	28,798
Auditors' remuneration	20.1 250,000	75,000
Utilities	364,232	296,153
Travelling expenses	2,684	3,360
Fee and subscription	10,000	32,247
Depreciation	7 41,194	49,982
Misc. expenses	10,031	63,792
	2,342,278	2,370,343
<b>20.1 Auditor's remuneration</b>		
Statutory audit	250,000	60,000
Certifications and other charges	0	15,000
	250,000	75,000

This includes expense of last year audit fee amounting to Rs 100,000/- as well as expense for current year amounting to Rs 100,000/- and accrued accordingly.

	2022	2021
Note	----- Pak Rupees -----	-----
<b>21 OTHER INCOME AND LOSSES</b>		
Dividend income	1,092,487	600,851
Miscellaneous income	2,062	0
Profit on bank balances	252,915	122,726
	1,347,464	723,577



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	2022	2021
Note	Pak Rupees	
<b>22 TAXATION</b>		
Current tax	0	20,000

No deferred tax asset is being charged due to uncertainty over the future operating results of the entity.

**23 EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing profit after tax for the year by the weighted average number of shares outstanding during the period, as follows:

Profit / (loss) after taxation, attributable to ordinary shareholders	(997,251.97)	(1,651,485.59)
Weighted average number of ordinary shares in issue during the year	374,191.00	374,191.00
Earnings per share	(2.67)	(4.41)

No figure for diluted earnings per share has been presented as the Company has not issued any dilutive instruments carrying options which would have an impact on earnings per share when exercised.

**24 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amounts charged in the financial statements for remuneration, including benefits, to the chief executive and directors are as follows:

	2022		2021	
	Remuneration	Number of persons	Remuneration	No. of Persons
Chief Executive	0	1	0	1
Directors	0	3	0	2



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**25 FINANCIAL INSTRUMENTS BY CATEGORY**

	2022				Total
	Loan and receivable	Available for sale	At fair value	At amortized	
			through profit and loss	cost	
-----Pak Rupees-----					
<b>ASSETS</b>					
Non-current assets					
Long-term deposits	100,000	0	0	0	100,000
Long term investment	0	31,790,505	0	0	31,790,505
Current assets					
Short-term investments	101203	0	0	0	101203
Loans and advances	10834814	0	0	0	10834814
Deposits	196700	0	0	0	196700
Bank balances	72680.23	0	0	0	72680.23
<b>LIABILITIES</b>					
Current liabilities					
Trade and other payables	235,920	0	0	0	235,920
	2021				Total
	Loan and receivable	Available for sale	At fair value	At amortized	
			through profit and loss	cost	
-----Pak Rupees-----					
<b>ASSETS</b>					
Non-current assets					
Long-term deposits	500,000	0	0	0	500,000
Long term investment	0	28,677,002	0	0	28,677,002
Current assets					
Loans and advances	7,407,814	0	0	0	7,407,814
Deposits	202,000	0	0	0	202,000
Bank balances	10,261,130	0	0	0	10,261,130
<b>LIABILITIES</b>					
Current liabilities					
Trade and other payables	174,857	0	0	0	174,857



**KP SECURITIES (PRIVATE) LIMITED**  
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**26 NET CAPITAL BALANCE**

Description	Note	2022
		Rupees
<b>Current Assets</b>		
Cash and Bank Balances	15	74,361.23
Deposit With National Clearing Company of Pakistan Limited	13	196,700.00
Margin/Exposure with E-clear (STI)		101,203.00
Trade Receivables	26.2	0
Investment in listed securities	26.3	0
<b>Total Current Assets</b>		<b>372,264.23</b>
<b>Current Liabilities</b>		
Trade payable	28.4	0
Accrued and other payable	28.5	235,900.00
		235,900.00
<b>Net Capital Balance as at June 30, 2022</b>		<b>136,364.23</b>

**26.1 STATEMENT OF COMPLIANCE**

This Net Capital Balance Statement is prepared in accordance with the requirements of the Regulation 6 and the Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 read with Rule 2(d) of the Securities and Exchange Commission Rules, 1971 and SECP guidelines.

The valuation of current assets and current liabilities for the purposes of net capital balance has been determined on the basis of the following:

Description	Valuation Basis
Cash and bank balance	As per Book value
Cash margin with NCCPL	As per Book value
Trade Receivables	Book value less those overdue for more than 14 days
Investment in the listed securities	Securities on the exposure list marked to market less 15% discount
Securities Purchased for Clients	Securities purchased for the customer and held by the broker where the payment has not been received within
Trade Payables	Book value less overdue for more than 30 days
Other liabilities	As classified under generally accepted accounting principles

**26.2 Trade Receivables**

Trade Receivables	0
Balance over due for more than 14 days	0
	0

**26.3 Investment in listed Securities**

Market value of shares	0
Less 15% discount	0
	0

**26.4 Trade payable**

As per book value	20
Less those over due for more than 30 days	20
	0

**26 Other liabilities**

Trade payables overdue for more than 30 days	0
Accrued and other payable	235,900.00
Short-term borrowings	0
	<b>235,900.00</b>



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27 Liquid Capital Balance

Sr. No. Head of Account	Value in	Hair Cut /	Net Adjusted
	Pak Rupees	Adjustments	Value
	----- Rupees -----		
<b>1. Assets</b>			
<b>1.1 Property &amp; Equipment ( balance sheet value net of depreciation)</b>			
i) 100% of net value	211,508	211,508	0
<b>1.2 Intangible Assets ( balance sheet value net of amortization)</b>			
i) 100% of net value	2,500,000	2,500,000	0
<b>1.3 Investment in Govt. Securities:</b>			
Difference between book value and sale value on the date on the basis of PKRV published by NIFT	0	0	0
- Sale value on the date on the basis of PKRV published by NIFT			
<b>1.4 Investment in Debt. Securities:</b>			
If listed than:			
i. 5% of the balance sheet value in the case of tenure up to 1 year.	0	0	0
ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	0	0	0
iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	0	0	0
If unlisted than:			
i. 10% of the balance sheet value in the case of tenure up to 1 year.	0	0	0
ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	0	0	0
iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	0	0	0
<b>1.5 Investment in Equity Securities:</b>			
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.	0	0	0
ii. If unlisted, 100% of carrying value.	31,790,505	31,790,505	0
<b>1.6 Investment in subsidiaries:</b>			
- 100% of net value	0	0	0
<b>1.7 Investment in associated companies/undertaking:</b>			
i. If listed 20% or VaR of each securities as computed by the Securitas Exchange for respective securities whichever is higher.	0	0	0
ii. If unlisted, 100% of net value.	0	0	0
<b>1.8 Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity</b>	100,000	100,000	0
- 100% of net value			
<b>1.9 Margin deposits with exchange and clearing house - nil haircut</b>	297,903	0	297,903
<b>1.10 Deposit with authorized intermediary against borrowed securities under SLB - nil</b>	0	0	0
<b>1.11 Other deposits and prepayments - 100% haircut of carrying value</b>	0	0	0
<b>1.12 Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.: - nil haircut</b>			
- 100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	0	0	0
<b>1.13 Dividends receivables: - nil</b>	0	0	0
<b>1.14 Amounts receivable against Repo financing:</b>			
- Amount paid as purchaser under the REPO agreement.	0	0	0
- Securities purchased under repo arrangement shall not be included in the investments.	0	0	0
<b>1.15 Advances and Receivables other than trade receivables:</b>			
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	10,834,814	10,834,814	0
ii. No Haircut may be applied to the advance tax to the extent it is netted with provision of taxation	580,261	580,261	0
iii. In all other cases. - 100% of net value	0	0	0
<b>1.16 Receivables from clearing house or securities exchange(s):</b>			
100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	0	0	0



**KP SECURITIES (PRIVATE) LIMITED**  
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**27 Liquid Capital Balance**

Sr. No.	Head of Account	Value in	Hair Cut /	Net Adjusted
		Pak Rupees	Adjustments	Value
		----- Rupees -----		
<b>1.17</b>	<b>Receivables from customers</b>			
	i. In case receivables are against margin financing, the aggregate if			
	a. value of securities held in the blocked account after applying VAR based Haircut,			
	b. cash deposited as collateral by the Finanee and			
	c. market value of any securities deposited as collateral after applying VaR based haircut.			
	- Lower of net balance sheet value or value determined through adjustments.	0	0	0
	ii. In case receivables are against margin trading, 5% of the net balance sheet value. (Net amount after deducting haircut)	0	0	0
	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract	0	0	0
	- Net amount after deducting haircut			
	iv. Incase of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value.	0	0	0
	- Balance sheet value			
	v. Incase of other trade receivables are overdue, or 5 days or more, the aggregate of			
	a. the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts,	0	0	0
	b. cash deposited as collateral by the respective customer and			
	c. the market value of securities held as collateral after applying VaR based haircuts.			
	- Lower of net balance sheet value or value determined through adjustments.			
	vi. 100% haircut in the case of amount receivable form related parties.	0	0	0
<b>1.18</b>	<b>Cash and Bank balances:</b>			
	i. Bank Balance-proprietary accounts	61,599.23	0	61,599.23
	ii. Bank balance-customer accounts	11,081.00	0	11,081.00
	iii. Cash in hand	1,681.00	0	1,681.00
<b>1.19</b>	<b>Subscription money against investment in IPO/offer for sale (asset):</b>			
		0	0	0
	No haircut may be applied in respect of amount paid as subscription money provided that shares have not bell allotted or are not included in the investments of securities broker.			
	- Net amount after deducting haircuts			
<b>1.2</b>	<b>Total Assets</b>	<b>46,389,352</b>	<b>46,017,088</b>	<b>372,264</b>
<b>2.</b>	<b>Liabilities</b>			
<b>2.1</b>	<b>Trade Payables:</b>			
	i. Payable to exchanges and clearing house	0	0	0
	ii. Payable against leveraged market products	0	0	0
	iii. Payable to customers	20	0	20
<b>2.2</b>	<b>Current Liabilities:</b>			
	i. Statutory and regulatory dues	0	0	0
	ii. Accruals and other payables	235,900	0	235,900
	iii. Short-term borrowings	0	0	0
	iv. Current portion of subordinated loans	0	0	0
	v. Current portion of long term liabilities	0	0	0
	vi. Deferred Liabilities	0	0	0
	vii. Provision for taxation	0	0	0
	ix. Other liabilities as per accounting principles and included in the financial statements	0	0	0
<b>2.3</b>	<b>Non-Current Liabilities:</b>			
	i. Long-Term financing	0	0	0
	ii. Staff retirement benefits	0	0	0
	iii. other liabilities as per accounting principles and included in the financial statements	0	0	0
	- 100% haircut may be allowed against long term portion of financing obtained from a financial institution including amount due against finance leases.	0	0	0
	- Nil in all other cases.			



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**27 Liquid Capital Balance**

Sr. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments  ----- Rupees -----	Net Adjusted Value
<b>2.4</b>	<b>Subordinated Loans:</b>			
	100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted. In this regard, following conditions are specified:	0	0	0
	a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period			
	b. No haircut will be allowed against short term portion which is repayable within next 12 months.			
	c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.			
<b>2.5</b>	<b>Advance against shares for Increase in Capital of Securities broker:</b>			
	100% haircut may be allowed in respect of advance against shares if:	0	0	0
	a. The existing authorized share capital allows the proposed enhanced share capital			
	b. Board of Directors of the company has approved the increase in capital			
	c. Relevant Regulatory approvals have been obtained			
	d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed.			
	e. Auditor is satisfied that such advance is against the increase of capital.			
<b>2.6</b>	<b>Total Liabilities</b>	235920	0	235920
<b>3.</b>	<b>Ranking Liabilities Relating to:</b>			
<b>3.1</b>	<b>Concentration in Margin Financing:</b>			
	The amount calculated client-to-client basis by which any amount receivable from any of the finances exceed 10% of the aggregate of amounts receivable from total finances.	0	0	0
<b>3.2</b>	<b>Concentration in securities lending and borrowing:</b>			
	The amount by which the aggregate of:	0	0	0
	(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			
	- Amount as determined through adjustment			
<b>3.3</b>	<b>Net underwriting Commitments:</b>			
	(a) - in the case of right issue: if the market value of securities is less than or equal to the subscription price; the aggregate of:	0	0	0
	(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 issue: where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting commitment.			
	(b) in any other case : 12.5% of the net underwriting commitments	0	0	0
	- Amount as determined through adjustment			
<b>3.4</b>	<b>Negative equity of subsidiary</b>			
	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	0	0	0
	- Amount as determined through adjustment			
<b>3.5</b>	<b>Foreign exchange agreements and foreign currency positions:</b>			
	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	0	0	0
	- Amount as determined through adjustment			



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27 Liquid Capital Balance

Sr. No.	Head of Account	Value in	Hair Cut /	Net Adjusted
		Pak Rupees	Adjustments	Value
			----- Rupees -----	
3.6	Amount Payable under REPO:	0	0	0
	- Carrying Value			
3.7	Repo adjustment:	0	0	0
	In the case of financier/purchaser, the total amount receivable under Repo less the 110% of the market value of underlying securities.	0	0	0
	In the case of finance/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.			
	- Amount as determined through adjustment			
3.8	Concentrated proprietary positions:			
	- If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security	0	0	0
	- If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security	0	0	0
	- Amount as determined through adjustment			
3.9	Opening Positions in futures and options:			
	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	0	0	0
	ii. In case of proprietary positions, the total margin requirements in respect of open positions	0	0	0
3.1	Short sell positions:			
	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	0	0	0
	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.	0	0	0
3.11	Total Ranking Liabilities	0	0	0
	<b>Total Liquid Capital As At June 30, 2022 (1.20-2.5-3.11)</b>	<b>46,153,432</b>	<b>46,017,088</b>	<b>136,344</b>
Calculations Summary of Liquid Capital				
	(i) Adjusted value of Assets (serial number 1.20)			372,264
	(ii) Less: Adjusted value of liabilities (serial number 2.6)			235,920
	(iii) Less: Total ranking liabilities (serial number 3.11)			0
				<b>136,344</b>



## **28 FINANCIAL RISK MANAGEMENT**

### **28.1 Risk management framework**

The Director / Chief Executive has overall responsibility for the establishment and oversight of the Company's risk management framework. He is also responsible for developing and monitoring the Company's risk management policies, which are monitored and assessed for effectiveness throughout the year. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to establish internal control over risk. Through its training and management standards and procedures, the Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Company has established adequate procedures to manage each of these risks as explained below.

### **28.2 Market risk**

Market risk is the risk that the value of financial instruments may fluctuate as a result of changes in market interest rates, changes in the credit rating of the issuer of the instruments, change in market sentiments, speculative activities, supply and demand of securities and/or changes in liquidity in the market.

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

#### **30.2.1 Currency risk**

Currency risk mainly arises where receivables and payables exist due to transactions with foreign undertakings. The Company is not exposed to major foreign exchange risk in this respect.

#### **30.2.2 Interest rate risk**

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in market interest rates. Sensitivity to interest / mark-up rate risk arises from mismatches or gaps in the amounts of interest / mark-up based assets and liabilities that mature or reprice in a given period. The Company manages this risk by matching the maturity / repricing of financial assets and liabilities through appropriate policies.

#### **30.2.3 Price risk**

Price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices, whether such changes are due to factors specific to individual financial instruments (including factors specific to issuers of such instruments) or due to macroeconomic or other factor affecting similar financial instruments being traded in the market.

The Company is exposed to price risk in respect of investments carried at fair value (whether as available-for-sale investments or as instruments at fair value through profit or loss). Such price risk comprises both the risk that price of individual equity investments will fluctuate and the risk that there will be an index-wide movement in prices. Measures taken by the Company to monitor, manage and mitigate price risk include daily monitoring of movements in stock indexes (such as the KSE 100 index) as well as of the correlation between the Company's investment portfolio with stock indexes.

### **28.3 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, loans and advances, investments and other receivables. The carrying amount of financial assets represents the maximum credit exposure, although this maximum is a theoretical formulation as the Company frequently holds collateral against potential



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credit losses.

Measures taken by management to manage and mitigate credit risk include:

- Development of and compliance with risk management, investment and operational policies / guidelines (including guidelines in respect of entering into financial contracts);
- Assignment of trading limits to clients in accordance with their net worth;
- Collection / maintenance of sufficient and proper margins from clients;
- Initial and ongoing client due diligence procedures, where clients' financial position, past experience and other factors are considered;
- Collection and maintenance of collateral if, as and when deemed necessary and appropriate;
- Diversification of client and investments portfolios; and
- Engagement with creditworthy / high credit rating parties such as banks, clearing houses and stock exchanges.

The Company continually monitors the quality of its debtor portfolio, both on an individual and portfolio basis, and provides against credit losses after considering the age of receivables, nature / quantum of collateral and debtor-specific factors (such as creditworthiness and repayment capacity).

The carrying amount of financial assets, which represents the maximum credit exposure before consideration of collateral and counterparty creditworthiness, is as specified below:

	2022	2021
	-----Pak Rupees-----	
Long-term investments	31,790,505	28,677,002
Long-term deposits	100,000	500,000
Short-term investments	101,203	0
Loans and advances	10,834,814	7,407,814
Trade deposits	196,700	202,000
Trade debts (net)	0	0
Cash and bank balance	74,361	10,261,130
	43,097,583	47,047,946

**28.4 Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations, settled by delivering cash or another financial asset, as they fall due. Prudent liquidity risk management requires the maintenance of sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to the dynamic nature of the business and the industry it operates in. The Company finances its operations through equity and, as and when necessary, borrowings, with a view to maintaining an appropriate mix between various sources of financing.

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

Financial liabilities	As at December 31, 2022		
	Carrying amount	Within one year	More than one year
Trade and other payables	235,920	235,920	0
<b>Total</b>	<b>235,920</b>	<b>235,920</b>	<b>0</b>
Financial liabilities	As at December 31, 2021		
	Carrying amount	Within one year	More than one year
Trade and other payables	174,857	174,857	0
<b>Total</b>	<b>174,857</b>	<b>174,857</b>	<b>0</b>

The Company does not expect that the timing or quantum of cash flows outlined in the table above will change significantly, and as a result expects to be able to fulfill its obligations as they come due.



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**29 CAPITAL RISK MANAGEMENT**

The Company's objective in managing capital is to ensure that the Company is able to continue as a going concern so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. As well, the Company has to comply with capital requirements as specified under the Securities Brokers (Licensing and Operations) Regulations, 2016 (as well as other relevant directives from regulating bodies issued from time to time).

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets, keeping in view future investment requirements.

**30 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

Fair value is the amount that would be received on the sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operations or to undertake a transaction on adverse terms.

Various judgments and estimates are made in determining the fair value of financial instruments that are recognized and measured at fair value in the Company's financial statements. To provide an indication about the reliability of inputs used in determining fair value, financial instruments have been classified into three levels, as prescribed under accounting standards. An explanation of each level follows the table.

Recurring FV Measurement as at June 30, 2022	Level I	Level II	Level III	Total
Long-term investment - available-for-sale	0	0	31,790,505	31,790,505
At fair value through profit and loss	0	0	0	0

Recurring FV Measurement as at June 30, 2021	Level I	Level II	Level III	Total
Long-term investment - available-for-sale	0	0	28,677,002	28,677,002
At fair value through profit and loss	0	0	0	0

In the fair value hierarchy in the preceding table, inputs and valuation techniques are as follows:

- Level 1: Quoted market price (unadjusted) in an active market
- Level 2: Valuation techniques based on observable inputs
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

There were no transfers into or out of Level 1 measurements.



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**31 RELATED PARTY TRANSACTIONS**

The related parties of the Company comprise of shareholders/ directors, key management personnel, entities with common shareholding, entities over which the directors are able to exercise influence and entities under common directorship. Transactions with related parties and the balances outstanding at year end are disclosed in the respective notes to the financial statements.

Name of the related party	Basis of relation	Aggregate % of shareholding in the Company
Mr Muhammad Fayyaz Ali	Director	92%

**33.1 Material transactions with related parties and the balances outstanding at the year-end are given below.**

Director	2022 Pak Rupees
Transactions	
Expense incurred on behalf of company	1,242,000
Repayments against expenses on behalf of company	3,810,000
Loan received from company	850,000
Balances	
Balance receivable	11,416,094
Balance payable	592,280

**32 EVENTS AFTER REPORTING PERIOD**

No events occurred after the reporting period that would require adjustment or disclosure in the financial statements.

**33 NUMBER OF EMPLOYEES**

Total number of employees at the end of year was 02 (2021: 02). Average number of employees was 02 (2021: 02).

**34 RE-CLASSIFICATION AND RE-ARRANGEMENTS**

Corresponding figures have been reclassified and re-arranged wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison, and in order to ensure compliance with disclosure requirements in the 5th Schedule to the Companies Act, 2017.

**35 CAPITAL ADEQUACY**

	2022 Pak Rupees
Total Assets	35.1 46,389,352
Less: Total Liabilities	235,920
Less: Revaluation Reserves (created upon revaluation of fixed assets)	0
Capital Adequacy Level	46,153,432

**35.1** While determining the value of the total assets of the Company, the notional value as at June 30, 2022 of the TREC held by the Company has been considered.

**36 GENERAL**

Amounts have been rounded off to the nearest rupee, unless otherwise stated.

**37 AUTHORIZATION**

These financial statements were authorized for issue on \_\_\_\_\_ by the Board of Directors of the Company.

Chief Executive Officer



Director

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