Crowe

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KP SECURITIES (PRIVATE) LIMITED

Opinion

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

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

Basis for Opinion

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

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Auditors' 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 statement

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 changes in equity, the statement of comprehensive income, 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) Expenditure incurred during the year ended 30 June 2020 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).

The engagement partner on the audit of financial statements of **KP SECURITIES (PRIVATE) LIMITED** for the year ended 30 June 2020 resulting in this independent auditors' report is C.A Habib.

Crowe Hussain Chaudhary & Co. Member Crowe Global

CROWE HUSSAIN CHAUDHURY & CO.
(CHARTERED ACCOUNTANTS)

Place: Islamabad
Dated: 13 APR 2021

KP SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020	2019
		--------------(Rupees)--------------	
Non-Current Assets			
Property and equipment	7	302,685	363,622
Intangible assets	8	2,500,000	2,500,000
Long-term investments	9	28,130,770	25,654,534
Long-term deposits	10	500,000	500,000
		31,433,455	29,018,156
Current Assets			
Trade debts - net	11	-	10,329
Advances and other receivables	12	13,671,814	10,284,614
Deposits, prepayments & other receivables	13	202,000	667,240
Income tax - net	14	222,211	151,069
Cash and bank balances	15	20,876	5,369,452
		14,116,901	16,482,704
		45,550,356	45,500,860
Equity and Liabilities			
Equity			
Share capital	16	37,419,100	37,419,100
Reserves		7,523,152	5,046,916
Unappropriated profit		200,184	2,222,079
		45,142,435	44,688,095
Current Liabilities			
Trade and other payables	17	402,918	807,777
Provision for taxation	18	5,002	4,988
		407,921	812,765
Contingencies and commitments	19	-	-
		45,550,356	45,500,860

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive

KP Securities (Private) Limited
TREC
503
PSX

Director

KP SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		--------------(Rupees)-----------	
Revenue	20	947	332,552
Unrealized gain / (loss) on investments		-	-
		947	332,552
Operating and administrative expenses	21	(2,516,793)	(17,236,517)
Operating loss		(2,515,846)	(16,903,966)
Financial charges	22	(1,992)	(6,517)
Other income and losses	23	495,957	603,345
Loss before taxation		(2,021,881)	(16,307,137)
Tax expense	24	(14)	(4,988)
Loss after taxation		(2,021,896)	(16,312,125)

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive

Securities (Private) Limited
TREC
503
PSX

Director

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

	Note	2020	2019
		---------------(Rupees)------------	
Loss for the year, after taxation		**(2,021,896)**	(16,312,125)
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		**2,476,236**	(6,536,928)
Other comprehensive income/(loss) for the year		**2,476,236**	(6,536,928)
Total comprehensive income/(loss) for the year		**454,340**	(22,849,053)

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

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

	Note	2020	2019
		---------------(Rupees)-------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**(2,021,881)**	(16,307,137)
Adjustments:			
Depreciation and impairment		**60,937**	74,696
Assets written off during the year		**-**	12,804,824
Interest Income		**(58,974)**	(120,072)
Dividend income		**(436,983)**	-
Operating cash flow before working capital changes		**(2,456,901)**	(3,547,689)
Working capital changes			
Accounts receivable		**10,329**	2,469
Advances and other receivables		**(3,387,200)**	(10,276,614)
Deposits and prepayments		**465,240**	(378,552)
Other receivables		**-**	-
Trade payables		**(404,858)**	39,012
		(3,316,490)	(10,613,685)
Cash flows used in operations		**(5,773,391)**	(14,161,374)
Proceeds from net sales of / (acquisition of) short-term investments		**-**	1,195,139
Interest received		**58,974**	120,072
Dividend received		**436,983**	-
Taxes paid		**(71,142)**	(79,227)
Net cash used in operating activities		**(5,348,576)**	(12,925,391)
CASH FLOWS FROM INVESTING ACTIVITIES			
National Clearing Company of Pakistan Limited		**-**	(95,000)
Sale of shares		**-**	14,566,094
Net cash generated from investing activities		**-**	14,471,094
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term deposits		**-**	-
Issuance of shares		**-**	7,000,000
Repayment of loan from Director - long term		**-**	(9,921,879)
Net cash generated from / (used in) financing activities		**-**	(2,921,879)
Net decrease in cash and cash equivalents		**(5,348,576)**	(1,376,175)
Cash and cash equivalents at the beginning of the year		**5,369,452**	6,745,627
Cash and cash equivalents at the end of the year	15	**20,876**	5,369,452

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive

KP Securities (Private) Limited TREC 508 PSX

Director

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

	Share capital	Fair value reserve	Unappropriated profit	Capital Reserve	Total
			(Rupees)		
Balance as at 01 July 2018	30,419,100	12,411,526	17,513,695	192,827	60,537,148
Loss for the year	-	-	(16,312,125)	-	(16,312,125)
Transfer of capital reserve	-	-	192,827	(192,827)	
Shares issued during the year	7,000,000	-	-	-	7,000,000
Other comprehensive income/(loss) for the year		(6,536,928)	-	-	(6,536,928)
Transfer of reserve on shares sold		(827,682)	827,682	-	-
Balance as at 30 June 2019	37,419,100	5,046,916	2,222,079	-	44,688,095
Balance as at 01 July 2019	**37,419,100**	**5,046,916**	**2,222,079**	**-**	**44,688,095**
Loss for the year	**-**	**-**	**(2,021,896)**	**-**	**(2,021,896)**
Other comprehensive income/(loss) for the year	**-**	**2,476,236**	**-**	**-**	**2,476,236**
Balance as at 30 June 2020	**37,419,100**	**7,523,152**	**200,184**	**-**	**45,142,435**

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive

TREC
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PSX
KP Securities (Private) Limited

Director

KP SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, and Securities Brokers (Licensing and Operations) Regulations 2016 (the "Regulations"). In case requirements differ, the provisions or directives of the Companies Act, 2017 and/or the Regulations 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, liabilties, 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 18, 24)

4 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except:

- Investments in quoted equity securities (whether classified as assets at fair value through profit or loss, or as available-for-sale), which are carried at fair value;
- Investments in associates, which are recorded in accordance with the equity method of accounting for such investments;
- Derivative financial instruments, which are marked-to-market as appropriate under relevant accounting and reporting standards; and
- Staff retirement gratuity and pension, which are carried at the present value of the defined benefit obligation net of fair value of plan assets.

4.1 IMPACT OF COVID-19

The management of KP Securities (Private) Limited has evaluated the financial impact of covid-19 and is of view that there are significant impacts on financial statements.

5 AMENDMENTS TO EXISTING STANDARDS & FORTHCOMING REQUIREMENTS

The following IFRSs (as well as amendments thereto and interpretations thereof) as notified under the Companies Act, 2017 are / will be effective for accounting periods beginning on or after the dates specified below:

- IAS 28: Investments in Associates and Joint Ventures

A first amendment to this standard relates to provisions under which certain businesses may elect to measure investments in associates / joint ventures at fair value through profit or loss, albeit under a narrow set of precedent conditions. The provisions, which are effective for annual periods beginning on or after January 1, 2018, are unavailable to the Company and are therefore not expected to have an impact on the Company's financial statements.

A second amendment affects companies which finance associates or joint ventures with preference shares or with loans for which repayment is not expected in the foreseeable future. The amendments, which are to be applied in conjunction with IFRS 9 where appropriate, are effective for annual periods beginning on or after January 1, 2019. The Company is currently in the process of assessing the potential impact (including presentation) that the adoption of this amendment may have on its financial

- IFRS 15: Revenue from Contracts with Customers

Effective for annual periods beginning on or after July 1, 2018, IFRS 15 specifies how and when to recognize revenue, and also requires reporting entities to provide users of financial statements with more informative, relevant discosures. The standard replaces IAS 18 (Revenue), IAS 11 (Construction Contracts), IFRIC 13 (Customer Loyalty Programmes) as well as various other standards and interpretations. The Company is currently in the process of preparing a gap analysis and identifying the nature and quantum, if any, of the impact of the adoption of this standard on the Company's financial statements.

- IFRS 9: Financial Instruments

IFRS 9 replaces IAS 39 (Financial Instruments: Recognition & Measurement). The new standard introduces new guidance on the classification and measurement of financial instruments as well as a new expected credit loss model for calculating impairment on financial assets. IFRS 9 is effective for annual periods beginning on or after July 1, 2018. The Company is currently in the process of preparing a gap analysis and identifying the nature and quantum of the impact of the adoption of this standard on the Company's financial statements.

An amendment to IFRS 9 pertaining to the classification and measurement of debt instruments where borrowers are permitted to prepay the instrument at an amount less than the unpaid principal and interest owed ("negative compensation") is effective for annual periods beginning on or after January 1, 2019. The amendment is not expected to impact the Company's financial statements.

- IFRS 16: Leases

This standard introduces a single, on-statement of financial position lease accounting model for lessees, whereby the lessee recognizes a single, right-of-use asset (representing its right to use an asset) and a lease liability representing the lessee's obligation to make lease payments. Guidance being replaced and superseded by IFRS 16 includes (but is not limited to) IAS 17 (Leases), IFRIC 4 (Determining Whether An Arrangement Contains a Lease) and SIC 15 (Incentives in Operating Leases). The standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently in the process of identifying the nature and quantum of the impact of the adoption of this standard on the Company's financial statements.

- IAS 19: Employee Benefits

Amendments to IAS 19 clarify the approach to be employed (including the use of actuarial assumptions to determine current service cost and net interest, and the relationship between the asset ceiling and the gain/loss on plan settlement) upon amendment, curtailment or settlement of a defined benefit plan. The amendments, effective for annual periods beginning on or after January 1, 2019, are not expected to significantly impact the Company's financial statements.

- IFRS 3: Business Combinations / IFRS 11: Joint Arrangements

Amendments to these standards relate to the re-measurement of a previously-held interest in a joint operation when a reporting entity obtains control of the joint operation (when that joint operation meets the defintion of a business). The amendments, effective for annual periods beginning on or after January 1, 2019, are not expected to impact the Company's financial statements.

- IAS 12: Income Taxes

An amendment to this standard clarifies that the income tax consequences of dividends are recognized consistently and concurrently with the transaction that generates distributable profits. The amendment is effective for annual periods beginning on or after January 1, 2019 and is not expected to impact the Company's financial statements

- IAS 23: Borrowing Costs

An amendment to this standard clarifies that a reporting entity treats as general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use (or sale). The amendment is effective for annual periods beginning on or after January 1, 2019 and is not expected to impact the Company's financial statements.

In addition to the above, IFRIC 22 and 23 - which relate to foreign currency transactions / translations and uncertainty around income tax treatments - are effective for annual periods beginning on or after January 1, 2018 and January 1, 2019, respectively. Neither is expected to materially impact the Company's financial statements upon adoption.

Certain new standards, amendments and/or interpretations issued by the IASB are yet to be notified by the SECP for the purpose of applicability in Pakistan.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

6.1 Property 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.

6.2 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 Investment property

Property that is held for long-term rental yields or for capital appreciation or for both (but not for sale in the ordinary course of business), used in the supply of services or for administrative purposes is classified as investment property. Investment property is initially measured at its cost, including related transaction costs and borrowing costs, if any.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

For the purpose of subsequent measurement, the Company determines with sufficient regularity the fair value of the items of investment property based on available active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Valuations wherever needed are performed as of the reporting date by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property. Changes in fair values are recognized in the profit and loss account.

6.4 Financial assets

The Company classifies its financial assets in the following categories: (a) at fair through profit and loss, (b) loans and receivables, (c) available-for-sale and (d) held to maturity. Classification in a category depends on the purpose for which an asset was acquired, and this determination is made at the time of initial recognition. The classification is re-evaluated on a periodic basis, consistent with relevant accounting and reporting standards.

a) Financial assets at fair value through profit or loss

An asset is classified at fair value through profit or loss if acquired principally for the purpose of selling in the short term, whether as a cash flow management strategy or in order to generate profit from short-term price fluctuations (or both). Such assets are initially recognized at fair value, with any associated transaction costs recorded in the profit and loss account. Subsequent to initial recognition, such assets are marked to market using closing market rates. Net gains or lossses arising on changes in fair values of these assets are taken to the profit and loss account in the period in which they arise.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, in which case such assets are classified as non-current assets.

c) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories. These investments are initially recognized at fair value, which includes associated transaction costs. Subsequent to initial recognition, these assets are marked to market using closing market rates. Net gains and losses arising on changes in fair values of these assets are taken to equity. They are included in non-current assets unless management intends to dispose of the assets within twelve months from the reporting date.

When securities classified as available-for-sale are sold or impaired, accumulated fair value adjustments recognized in equity are reclassified to the profit and loss account as gains / losses from available-for-sale investment securities. Dividends on available-for-sale equity instruments are recognized in profit and loss when the Company's right to receive payment is established.

d) Held-to-maturity assets

Held-to-maturity financial assets are those with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity. These are carried at amortized cost.

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All purchases and sales of investments that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognized on the trade date, which is the date on which the Company commits to purchase / sell the asset. All other purchases and sales are recognized as derivative forward transactions until settlement occurs.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company assesses at each balance sheet date whether there is objective evidence, as a result of one or more events that may have an impact on the estimated future cash flows from an asset, that an asset or a group of assets is impaired. A significant or prolonged decline in the fair value of an investment in an equity security below its cost is also considered objective evidence of impairment. Provision for impairment, if any, in the value of an asset is taken to the profit and loss account. In case of impairment of equity securities classified as available for sale, the cumulative loss that has been recognized in other comprehensive income is reclassified to profit and loss. For assets classified as held-to-maturity, impairment losses are recognized in profit and loss.

6.5 Financial liabilities

The Company initially recognized non-derivative financial liabilities on the date that they are originated or the date on which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or when they expire.

Financial liabilities are initially recognized at fair value plus directly attributable costs, if any, and are subsequently carried at amortized cost using the effective interest rate method.

6.6 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset (and the net amount is reported in the financial statements) when the Company has a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis or to realize the assets and settle the liabilities simultaneously.

6.7 Investment in associates

Associates are all entities over which the Company has significant influence but not control. Investments in associates where the Company has significant influence are accounted for using the equity method of accounting. Under the equity method of accounting, investments in associates are initially recognized at cost and the carrying amount of investment is increased or decreased to recognize the Company's share of the associate's post-acquisition profits or losses in income, and its share of the post-acquisition movement in reserves is recognized in other comprehensive income.

6.8 Impairment

Financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimate future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, or indications that a debtor or issuer will enter bankruptcy.

Individually significant financial assets are tested for impairment on an individual basis. All individually significant assets found not be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are assessed for impairment collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount - defined as the higher of the asset's fair value less costs of diasposal and the asset's value-in-use (present value of estimated future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and asset-specific risk) - is estimated to determine the extent of the impairment loss.

For the purpose of assessing impairment, 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 groups of assets (such groups of assets are henceforth referred to as "cash-generating units" or "CGUs").

Impairment losses recognized in prior periods are assessed at each reporting date to determine whether there are any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent of the carrying amount of the asset (or CGU) that would have been determined (net of depreciation / amortization) had no impairment loss been recognized.

6.9 Trade debts and receivables

Trade debts and other receivables are recognized initially at transaction price less an allowance for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision, as well as the impact of any change thereto, is recognised in the statement of profit or loss. Bad debts are written off in the statement of profit or loss on identification.

The determination of the allowance for doubtful debts is a judgment-driven process. In estimating this allowance, the Company takes into a number of factors, including - but not limited to - the age of receivables, the nature and extent of collateral, creditworthiness of debtors, historical experience and future expectations.

6.10 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.

6.11 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.

6.12 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.

6.13 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.

6.14 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.

6.15 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.

6.16 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.

6.17 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.

6.18 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.

6.19 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.

7. PROPERTY AND EQUIPMENT

2020

	Cost			Accumulated Depreciation				Written Down Value	Rate of Depreciation
	As at 1 July 2019	Additions/ (Deletions)	As at 30 June 2020	As at 1 July 2019	Adjustments	For the period	As at 30 June 2020		
	Rupees								%age
Computer equipment	**85,750**	**-**	**85,750**	**50,035**	**-**	**10,715**	**60,750**	**25,001**	**30%**
Furniture and fixtures	**513,000**	**-**	**513,000**	**205,829**	**-**	**46,076**	**251,905**	**261,095**	**15%**
Vehicles	**36,000**	**-**	**36,000**	**15,264**	**-**	**4,147**	**19,411**	**16,589**	**20%**
	634,750	**-**	**634,750**	**271,128**	**-**	**60,937**	**332,065**	**302,685**	

2019

	Cost			Accumulated Depreciation				Written Down Value	Rate of Depreciation
	As at 1 July 2018	Additions/ (Deletions)	As at 30 June 2019	As at 1 July 2018	Adjustments	For the period	As at 30 June 2019		
	Rupees								%age
Building	9,128,450	(9,128,450)	-	1,323,626	(1,323,626)	-	-	-	10
Computer equipment	85,750	-	85,750	34,729	-	15,306	50,035	35,715	30
Furniture and fixtures	513,000	-	513,000	151,623	-	54,206	205,829	307,171	15
Vehicles	36,000	-	36,000	10,080	-	5,184	15,264	20,736	20
	9,763,200	(9,128,450)	634,750	1,520,058	(1,323,626)	74,696	271,128	363,622	

8 INTANGIBLE ASSETS

	Note	2020	2019
		----Rupees----	
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.

9 LONG-TERM INVESTMENTS

Investments available for sale

	Note	2020	2019
		----Rupees----	
ISE Towers Reit Management Limited - opening balance	9.1	**25,654,534**	46,757,556
Adjustment for remeasurement to fair value		**2,476,236**	(4,000,000)
Share sold during the year		**-**	(17,103,023)
ISE Towers Reit Management Limited (unquoted) - fair value		**28,130,770**	25,654,534

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 15.45 / per share, compared to PKR 14.09 / per share as at June 30, 2019).

		Note	2020	2019
			--------Rupees--------	
10	**LONG TERM DEPOSITS**			
	Central Depository Company Limited		**100,000**	100,000
	National Clearing Company of Pakistan Limited		**200,000**	200,000
	Pakistan Stock Exchange Limited		**200,000**	200,000
			500,000	500,000
11	**TRADE DEBTS**			
	Considered good	**11.1**	-	12,391
	Considered doubtful		-	-
			-	12,391
	Less: Provision for doubtful debts	**11.2**	-	(2,062)
			-	10,329

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.

		Note	2020	2019
			--------Rupees--------	
11.2	Movement in provision against trade debts is as under:			
	Opening balance (as at July 1)		-	-
	Charged to profit and loss during the year		**2,062**	2,062
			2,062	2,062
	Amounts written off during the year		-	-
	Closing balance (as at June 30)		**2,062**	2,062
12	**ADVANCES AND OTHER RECEIVABLES**			
	Staff advances - unsecured, considered good		**4,000**	9,000
	Receivables from Related party :			
	From directors - net	**12.1**	**13,667,814**	10,275,614
			13,671,814	10,284,614

		Note	2020	2019
			--------Rupees--------	
12.1	**Receivables from Related party :**			
	Receivable from the director		**14,566,094**	14,566,094
	Payable to director		**(898,280)**	(4,290,480)
			13,667,814	10,275,614
13	**DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**			
	Security deposit with NCCPL		**202,000**	202,000
	NCSS receivable		**-**	465,240
			202,000	667,240
14	**INCOME TAX REFUNDABLE**			
	Balance at the beginning of the year		**151,069**	71,842
	Add: Current year additions		**71,142**	79,227
			222,211	151,069
	Less: Adjustment against provision for taxation		-	-
	Balance at the end of the year		222,211	151,069
15	**CASH AND BANK BALANCES**			
	Cash in hand		**661**	-
	Cash at bank		**20,215**	5,369,452
			20,876	5,369,452
	Cash at bank:			
	Current accounts	**15.1**	**16,767**	261,451
	Savings accounts		**3,448**	5,108,001
			20,215	5,369,452

15.1 Cash in current accounts includes customers' assets in the amount of PKR 11,610 (2019: 256,292) held in designated bank accounts.

		2020	2019
16	**SHARE CAPITAL**		
16.1	**Authorized capital** 1,000,000 (2019: 1,000,000) ordinary shares of PKR 100/ each.	**100,000,000**	100,000,000
16.2	**Issued, subscribed and paid-up share capital** 374,191 (June 30, 2019: 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	
	2020	2019	2020	2019
Mr. Muhammad Fayyaz Ali	346,012	346,012	94%	94.47%
Mr. Mubashir Nazir	22,095	22,095	6%	5.90%

	Note	2020	2019
		--------Rupees--------	
17 TRADE AND OTHER PAYABLES			
Trade creditors		25,177	510,152
Accrued expenses		228,505	121,918
Auditor's remuneration payable		145,000	170,000
Other payables		4,236	5,706
		402,918	807,777
18 PROVISION FOR TAXATION		5,002	4,988

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

19 CONTINGENCIES AND COMMITMENTS

19.1 There are no contingencies or commitments of the Company as at June 30, 2020 (2019: Nil)

	Note	2020	2019
		--------Rupees--------	
20 OPERATING REVENUE			
Brokerage income		947	332,552
		947	332,552
21 ADMINISTRATIVE EXPENSES			
Staff salaries, allowances and other benefits		957,500	2,453,400
Rent, rates and taxes		682,000	550,000
Postage and courier expense		1,190	13,331
Printing and stationery		3,670	23,750
Software license fee		111,440	84,000
Assets written off		3,171	12,804,824
Loss on REIT shares		293,111	161,904
CDC charges		-	57,663
NCCPL charges		61,695	66,568
PSX charges		71,591	290,774
Legal and professional charges		5,000	75,025
Entertainment		24,466	66,846
Repair and maintenance		-	192,403
Auditors' remuneration	21.1	75,000	100,000
Utilities		30,159	163,251
Travelling expenses		1,886	16,927
Fee and subscription		-	5,000
Depreciation	7	60,937	74,696
Miscellaneous expense		133,977	36,156
		2,516,793	17,236,517

		Note	2020	2019
			--------Rupees--------	
21.1	**Auditor's remuneration**			
	Statutory audit		60,000	80,000
	Certifications and other charges		15,000	20,000
			75,000	100,000
22	**FINANCIAL CHARGES**			
	Bank and other charges		1,992	6,517
			1,992	6,517
23	**OTHER INCOME AND LOSSES**			
	Divedend Income		436,983	455,190
	Gain / (Loss) short-term investments		-	28,083
	Profit on bank balances		58,974	120,072
			495,957	603,345
24	**TAXATION**			
	Current tax		14	4,988
			14	4,988

No defferred tax asset is being charged due to uncertainity over the future cashflows of the entity.

25 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:

	Note	2020	2019
		--------Rupees--------	
Profit / (loss) after taxation, attributable to ordinary shareholders		(2,021,896)	(16,312,125)
Weighted average number of ordinary shares in issue during the year		374,191	374,191
Earnings per share		(5.40)	(43.59)

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.

26 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 of the Company as per the terms of their employment are as follows:

	2020		2019	
	Remuneration	Number of persons	Remuneration	Number of persons
Chief Executive	-	1	-	1
Directors	-	2	-	2

27 FINANCIAL INSTRUMENTS BY CATEGORY

	30 JUNE 2020				
	Loans and receivables	Available for sale	At fair value through profit and loss	At amortized cost	Total
	Rupees				
ASSETS					
Non-current assets					
Long-term deposits	500,000	-	-	-	**500,000**
Long term investment	-	28,130,770	-	-	**28,130,770**
Current assets					
Trade debts - net	-	-	-	-	**-**
Loans and advances	13,671,814	-	-	-	**13,671,814**
Trade deposits	202,000	-	-	-	**202,000**
Other receivables	-	-	-	-	**-**
Cash and bank balances	20,876	-	-	-	**20,876**
LIABILITIES					
Non current Liabilities					
Long term financing	-	-	-	-	**-**
Current liabilities					
Trade and other payables	-	-	-	407,921	**407,921**
Short term borrowing	-	-	-	-	**-**

KP SECURITIES (PRIVATE) LIMITED
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FOR THE YEAR ENDED JUNE 30, 2020

	30 June 2019				
	Loans and receivables	Available for sale	At fair value through profit and loss	At amortized cost	Total
	Rupees				
ASSETS					
Non-current assets					
Long term deposits	500,000	-	-	-	500,000
Long term investment	-	25,654,534	-	-	25,654,534
Current assets					
Short-term investments	-	-	-	-	-
Trade debts - net	10,329	-	-	-	10,329
Loans and advances	10,284,614	-	-	-	10,284,614
Trade deposits	202,000	-	-	-	202,000
Other receivables	465,240	-	-	-	465,240
Cash and bank balances	5,369,452	-	-	-	5,369,452
LIABILITIES					
Non current Liabilities					
Long term financing	-	-	-	-	-
Current liabilities					
Trade and other payables	-	-	-	812,765	812,765
Short term borrowing	-	-	-	-	-

KP SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

28 NET CAPITAL BALANCE STATEMENT

Description	Note	2020 Rupees
Current Assets		
Cash and Bank Balances	15	20,876
Deposit With National Clearing Company of Pakistan Limited	13	202,000
Trade Receivables	28.2	-
Investment in listed securities	28.3	-
Total Current Assets		222,876
Current Liabilities		
Trade payable	28.4	-
Accrued and other payable	28.5	402,918
		402,918
Net Capital Balance as at June 30, 2020		(180,042)

28.1 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
Trade Payables	Book value less overdue for more than 30 days
Other liabilities	As classified under generally accepted accounting principles

KP SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

28.2 Trade Receivables

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

28.3 Investment in listed Securites

Market value of shares	-
Less 15% discount	-
	-

28.4 Trade payable

As per book value	25,177
Less those over due for more than 30 days	(25,177)
	-

28.5 Other liabilities

Trade payables overdue for more than 30 days	25,177
Accrued and other payable	377,741
Short-term borrowings	-
	402,918

29 Liquid Capital Balance

Sr. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
		------------- Rupees ----------		
1. Assets				
1.1	**Property & Equipment (balance sheet value net of depreciation)**			
	i) 100% of net value	302,685	302,685	-
1.2	**Intangible Assets (balance sheet value net of amortization)**			
	i) 100% of net value	2,500,000	2,500,000	-
1.3	**Investment in Govt. Securities:**			
	Difference between book value and sale value on the date on the basis of PKRV published by NIFT - **Sale value on the date on the basis of PKRV**	-	-	-
1.4	**Investment in Debt. Securities:**			
	If listed than:			
	i. 5% of the balance sheet value in the case of tenure up to 1 year.	-	-	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
	If unlisted than:			
	i. 10% of the balance sheet value in the case of tenure up to 1 year.	-	-	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
1.5	**Investment in Equity Securities:**			
	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of carrying value.	28,130,770	28,130,770	-
1.6	**Investment in subsidiaries:**			
	- 100% of net value		-	-
1.7	**Investment in associated companies/undertaking:**			
	i. If listed 20% or VaR of each securities as computed by the Securitas Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	-	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity - **100% of net value**	500,000	500,000	-

Sr. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
		------------- Rupees ----------		
1.9	Margin deposits with exchange and clearing house - **nil haircut**	202,000	-	202,000
1.10	Deposit with authorized intermediary against borrowed securities under SLB - **nil**	-	-	-
1.11	Other deposits and prepayments - **100% haircut of carrying value**	-	-	-
1.12	**Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.: - nil haircut**		-	-
	- 100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	-	-
1.13	Dividends receivables: - **nil**	-	-	-
1.14	**Amounts receivable against Repo financing:**		-	-
	- Amount paid as purchaser under the REPO agreement.			
	- Securities purchased under repo arrangement shall not be included in the investments.			
1.15	**Advances and Receivables other than trade receivables:**			
	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	13,671,814	13,671,814	-
	ii. No Haircut may be applied to the advance tax to the extent it is netted with provision of taxation	222,211	222,211	-
	iii. In all other cases. - **100% of net value**	-	-	-
1.16	**Receivables from clearing house or securities**			
	100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-
1.17	**Receivables from customers**			
	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 Financee 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.**	-	-	-

Sr. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
		-------------- Rupees ----------		
	ii. In case receivables are against margin trading, 5% of the net balance sheet value.	-	-	-
	iii. Incase receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract **- Net amount after deducting haircut**	-	-	-
	iv. Incase of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. **- 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, **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.	-	-	-
1.18	**Cash and Bank balances:**			
	i. Bank Balance-proprietary accounts	20,215	-	20,215
	ii. Bank balance-customer accounts		-	-
	iii. Cash in hand	661	-	661
1.19	**Subscription money against investment in IPO/offer for sale (asset):**			
	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.	-	-	-
1.2	**Total Assets**	**45,550,356**	**45,327,480**	**222,876**
2. Liabilities				
2.1	**Trade Payables:**			
	i. Payable to exchanges and clearing house		-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	25,177	-	25,177

KP SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Sr. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
		------------- Rupees ----------		
2.2	**Current Liabilities:**			
	i. Statutory and regulatory dues		-	-
	ii. Accruals and other payables	377,741	-	377,741
	iii. Short-term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long term liabilities	-	-	-
	vi. Deferred Liabilities	-	-	-
	viii. Provision for taxation	-	-	-
	ix. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.3	**Non-Current Liabilities:**			
	i. Long-Term financing	-	-	-
	ii. Staff retirement benefits	-	-	-
	iii. other liabilities as per accounting principles and included in the financial statements	-	-	-
	- 100% haircut may be allowed against long term portion of financing obtained from a financial institution including amount due against. finance	-	-	-
	- **Nil in all other cases.**			
2.4	**Subordinated Loans:**			
	100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted. In this regard, following **conditions** are specified: a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period b. No haircut will be allowed against short term portion which is repayable within next 12 months. c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.	-	-	-
2.5	**Advance against shares for Increase in Capital of**			
	100% haircut may be allowed in respect of advance against shares if: **a.** The existing authorized share capital allows the proposed enhanced share capital **b.** Board of Directors of the company has approved the increase in capital 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.	-	-	-
2.6	**Total Liabilities**	**402,918**	**-**	**402,918**

Sr. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
		------------- Rupees ----------		
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 finances exceed 10% of the aggregate of amounts receivable from total finances.	-	-	-
3.2	**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 **- Amount as determined through adjustment**	-	-	-
3.3	**Net underwriting Commitments:**			
	(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: **(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	-	-	-
	- Amount as determined through adjustment			
3.4	**Negative equity of subsidiary**			
	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary **- Amount as determined through adjustment**	-	-	-
3.5	**Foreign exchange agreements and foreign**			
	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 **- Amount as determined through adjustment**	-	-	-
3.6	**Amount Payable under REPO:**	-	-	-
	- Carrying Value			

Sr. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
		------------- Rupees ----------		
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 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	-	-	-
	- If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security - **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	-	-	-
	ii. In case of proprietary positions , the total margin requirements in respect of open positions to the extent not already met	-	-	-
3.10	**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	-	-	-
	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**	-	-	-
	Total Liquid Capital As At June 30, 2020 (1.20-2.5-3.11)	**45,147,438**	**45,327,480**	**(180,042)**

Calculations Summary of Liquid Capital

(i) Adjusted value of Assets (serial number 1.20)	**222,876**
(ii) Less: Adjusted value of liabilities (serial number 2.6)	**402,918**
(iii) Less: Total ranking liabilities (serial number 3.11)	**-**
	(180,042)

30 FINANCIAL RISK MANAGEMENT

30.1 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.

30.2 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.

30.3 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 frequency holds collateral against potential 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:

	2020	2019
	--------Rupees--------	
Long-term investments	**28,130,770**	25,654,534
Long-term deposits	**500,000**	500,000
Short-term investments	**-**	-
Loans and advances	**13,671,814**	10,284,614
Trade deposits	**202,000**	202,000
Trade debts (net)	**-**	10,329
Other receivables	**-**	465,240
Cash and bank balance	**20,876**	5,369,452
	42,525,460	42,486,168

30.4 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.

	As at December 31, 2020		
Financial liabilities	**Carrying amount**	**Within one year**	**More than one year**
		--------Rupees--------	
Long term financing	-	-	-
Short term borrowings	-	-	-
Trade and other payables	407,921	407,921	-
Total	**407,921**	**407,921**	**-**

	As at December 31, 2019		
Financial liabilities	Carrying amount	Within one year	More than one year
		--------Rupees--------	
Long term financing	-	-	-
Short term borrowings	-	-	-
Trade and other payables	812,765	812,765	-
Total	812,765	812,765	-

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.

31 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.

32 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 standads. An explanation of each level follows the table.

	Level I	**Level II**	**Level III**	**Total**
Recurring FV Measurement as at June 30, 2020	**......................Rupees......................**			
Long-term investment - available-for-sale	**-**	**-**	**28,130,770**	**28,130,770**
At fair value through profit and loss	**28,130,770**	**-**	**-**	**28,130,770**

	Level I	Level II	Level III	Total
Recurring FV Measurement as at June 30, 2019	......................Rupees......................			
Long-term investment - available-for-sale	-	-	25,654,534	25,654,534
At fair value through profit and loss	25,654,534	-	-	25,654,534

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.

33 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	Nature of relationship	Transactions during the year	2020
			---Rupees---
Mr. Muhammad Fayyaz Ali	Director	Receivable balance	**13,667,814**

34 EVENTS AFTER REPORTING PERIOD

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

35 NUMBER OF EMPLOYEES

Total number of employees at the end of year was 05 (2019: 05). Average number of employees was 05 (2019: 05)

36 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.

37 CAPITAL ADEQUACY

		June 30, 2020 ---Rupees---
Total Assets	**37.1**	45,550,356
Less: Total Liabilities		407,921
Less: Revaluation Reserves (created upon revaluation of fixed assets)		-
Capital Adequacy Level		**45,142,435**

37.1 While determining the value of the total assets of the Company, the notional value as at June 30, 2020 of the TREC held by the Company has been considered.

38 GENERAL

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

39 AUTHORIZATION

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

Chief Executive **Director**