

PEARL SECURITIES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2021

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

Opinion

We have audited the annexed financial statements of **Pearl Securities Limited** (the Company) which comprise the statement of financial position as at 30 June 2021 and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of its profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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


Gopie Hussain Chaudhury & Co.
Chartered Accountants

Karachi

Date:

16 OCT 2021

PEARL SECURITIES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

SHARE CAPITAL & RESERVES

Authorized capital

50,000,000 (2020: 50,000,000) ordinary shares of Rs. 10 each

Issued, subscribed and paid-up capital

Revenue reserve - unappropriated profit / (loss)

Fair value reserve

Remeasurement of post retirement benefits

NON-CURRENT LIABILITIES

Long term loan and finances

Staff retirement benefits

Deferred taxation

CURRENT LIABILITIES

Trade creditors, accrued and other liabilities

Accrued markup

Short term borrowings

Current portion of lease liability

Taxation - net

Contingencies and commitments

NON-CURRENT ASSETS

Property and equipment

Right-of-use assets

Intangible assets

Deferred taxation

Long term deposits

CURRENT ASSETS

Short term investments

Receivable against margin financing transactions

Trade debts

Advances, deposits, prepayments and other receivables

Taxation - net

Cash and bank balances

Note	2021	2020
	(Rupees)	
	500,000,000	500,000,000
5	144,136,000	144,136,000
	114,575,519	(27,495,428)
	764,269,165	52,192,897
	(58,428)	2,661,080
	1,022,922,256	171,494,549
6	200,000,000	290,385,776
7	30,218,000	21,005,103
8	124,421,222	-
	354,639,222	311,390,879
9	797,854,346	435,428,307
	93,037,387	140,266,714
10	1,636,863,225	1,614,190,084
6	385,776	1,407,048
	10,041,615	-
	2,538,182,349	2,191,292,153
11	3,915,743,826	2,674,177,581
12	40,768,594	38,590,029
13	371,889	1,859,449
14	2,750,000	2,750,000
8	-	2,719,943
15	10,487,979	17,060,979
	54,378,462	62,980,400
16	1,885,262,999	403,252,427
	85,215,453	45,939,784
17	1,527,677,788	2,050,442,612
18	45,012,040	10,455,520
	-	7,385,986
19	318,197,084	93,720,852
	3,861,365,364	2,611,197,181
	3,915,743,826	2,674,177,581

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

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Chief Executive

Director

PEARL SECURITIES LIMITED
STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 ----- (Rupees) -----	2020 -----
Operating revenue	20	244,684,854	122,356,629
Capital gain on short term investments		181,946,136	27,047,480
Administrative and operating expenses	21	(208,454,087)	(116,758,279)
Unrealized loss on fair value through profit and loss investments		(7,787,909)	(3,711,724)
Operating profit		<u>210,388,995</u>	<u>28,934,105</u>
Finance cost	22	(102,107,232)	(149,816,939)
		<u>108,281,763</u>	<u>(120,882,834)</u>
Other income	23	52,357,056	9,383,519
Profit / (loss) before taxation		<u>160,638,819</u>	<u>(111,499,315)</u>
Taxation			
- Current		(30,258,463)	(5,048,299)
- Prior years		873,010	(1,666,078)
- Deferred		5,088,206	497,889
	24	<u>(24,297,247)</u>	<u>(6,216,486)</u>
Profit / (loss) after taxation		<u>136,341,572</u>	<u>(117,715,802)</u>
Earning / (loss) per share - basic and diluted	25	<u>9.46</u>	<u>(8.17)</u>

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

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Chief Executive



Director

PEARL SECURITIES LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	2021 ----- (Rupees) -----	2020 -----
Profit / (loss) after taxation for the year	136,341,572	(117,715,802)
Other comprehensive income for the year		
Items that will not be reclassified subsequently to profit or loss		
- Re-measurement of staff retirement obligation - net off deferred tax	(2,719,508)	2,661,080
- Unrealised gain - FVOCI investment	852,676,672	142,107,573
- Deferred tax on unrealized gain of FVOCI investment	(134,871,029)	-
Total comprehensive income for the year	<u>851,427,706</u>	<u>27,052,850</u>

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

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Chief Executive



Director

PEARL SECURITIES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Note	2021	2020
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / loss before taxation	160,638,819	(111,499,315)
Adjustments for:		
- Depreciation of property and equipment	4,706,999	3,896,498
- Depreciation of right of use of assets	1,487,560	1,487,559
- Unrealized gain on investments through profit and loss	7,787,909	3,711,724
- Provision for gratuity	4,641,000	5,441,103
- Gain/(loss) on disposal of fixed assets	106,408	(917,926)
- Finance cost	102,107,232	149,816,939
Cash generated from operating activities before working capital changes	120,837,108	163,435,898
(Increase) / decrease in current assets		
Trade debts	522,764,823	(210,500,726)
Receivable against margin finance transactions	(39,275,669)	(22,867,924)
Advances, deposits, prepayments and other receivables	(34,556,520)	37,399,904
Increase / (decrease) in current liabilities		
Trade creditors, accrued and other liabilities	362,426,039	(41,670,242)
Short term borrowings	22,673,141	321,507,955
	834,031,815	83,868,968
Financial charges paid	(149,336,558)	(64,388,521)
Taxes paid	(11,957,853)	(6,474,450)
Gratuity Paid	(789,269)	(3,425,000)
Net cash generated from operating activities	953,424,061	61,517,579
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(7,049,772)	(3,783,360)
Proceeds from disposal of property and equipment	57,800	2,662,002
Net proceeds from sale of short term and long term investment	(637,121,809)	65,738,610
Long term deposits	6,573,000	140,000
Net cash generated from investing activities	(637,540,781)	64,757,252
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liability	(1,407,048)	-
Repayments of long term loan	(90,000,000)	(130,000,000)
Net cash used in financing activities	(91,407,048)	(130,000,000)
Net increase / (decrease) in cash and cash equivalents	224,476,232	(3,725,168)
Cash and cash equivalents at the beginning of the year	93,720,852	97,446,020
Cash and cash equivalents at the end of the year	318,197,084	93,720,852

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

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Chief Executive


Director

PEARL SECURITIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Issued, subscribed & paid-up capital	Revenue reserve - unappropriated profit / (loss)	Fair value reserve	Remeasurement of post retirement benefits-net of tax	Total Equity
	(Rupees)				
Balance as at 30 June 2019	144,136,000	90,289,100	(89,983,403)	-	144,441,697
Loss after taxation for the year	-	(117,715,602)	-	-	(117,715,602)
Transfer of fair value reserve of equity instruments designated at FVOCI	-	(68,727)	68,727	-	-
Remeasurement gain on post retirement benefits- net of tax for the year	-	-	-	2,661,080	2,661,080
Other comprehensive gain for the year	-	-	142,107,573	-	142,107,573
Balance as at 30 June 2020	144,136,000	(27,485,428)	52,192,897	1,661,080	171,404,549
Profit after taxation for the year	-	136,341,572	-	-	136,341,572
Transfer of fair value reserve of equity instruments designated at FVOCI	-	5,729,375	(5,729,375)	-	-
Remeasurement loss on post retirement benefits- net of tax for the year	-	-	-	(2,719,508)	(2,719,508)
Other comprehensive gain for the year	-	-	717,805,642	-	717,805,642
Balance as at 30 June 2021	144,136,000	114,575,519	704,269,165	(58,428)	1,022,922,256

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


Chief Executive


Director

PEARL SECURITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1. LEGAL STATUS AND NATURE OF BUSINESS

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

The Company is a Trading Right Entitlement Certificate (TREC) holder of PSX and a member of Pakistan Mercantile Exchange Limited (PMEX). The Company is principally engaged in brokerage of shares, stocks, securities, commodities and other financial instruments, securities research, financial consultancy and underwriting. The Company has a network of five branches (June 30, 2020: five branches) across Pakistan.

Geographical location of business units

Locations

Addresses

Head Office/Registered Office

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

Branches

Pakistan Stock Exchange

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

Islamabad Branch

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

State Life Branch

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

Lahore Branch

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

Mardan Branch

Shop # 57 & 60 Cantonment Plaza Mall Road, Mardan

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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2.2 Basis of measurement

These financial statements have been prepared under historical cost convention except for certain financial assets and financial liabilities which have been stated at their fair values.

2.3 Functional and presentation currency

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

2.4 Use of critical accounting estimates and judgments

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

	Note
a) Useful life of property and equipment	4.1
b) Carrying amount of intangible assets	4.3
c) Provision of impairment of financial assets	4.4
d) Provision for current and deferred taxation	4.5
e) Leases	4.17

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS**3.1 Standards, amendments to approved accounting standards effective in current year**

There were certain amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 01, 2021. However, these are considered not to be relevant or to have any significant effect on the Corporation's financial reporting and operations and, therefore, have not been disclosed in these financial statements.

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

	Effective date (annual periods beginning on or after)
IAS 37 Onerous contracts	January 1, 2022
IAS 16 Proceeds before an asset's intended use	January 1, 2022

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

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4. SIGNIFICANT ACCOUNTING POLICIES

4.1. Property and equipment

Owned

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

Depreciation is charged to profit and loss account by applying the reducing balance method systematically on yearly basis at the rates specified in note 12.1. Depreciation on additions to property and equipment is charged from the month in which an item is acquired while no depreciation is charged in the month the item is disposed off.

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

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

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

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

4.2. Capital work in progress

Capital work-in-progress is stated at cost less impairment (if any). It consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation.

4.3 Intangible assets

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

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

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

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4.4 Financial Instruments

a) Initial recognition

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

b) Classification of financial assets

The Company classifies its financial instruments in the following categories:

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

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

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

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

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

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

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

c) Classification of financial liabilities

The Company classifies its financial liabilities in the following categories:

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

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

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

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

(ii) Financial assets and liabilities at amortised cost

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

(iii) Financial assets and liabilities at FVTPL

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

e) Impairment of financial assets

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

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

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

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

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

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

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f) Derecognition**(i) Financial assets**

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

(ii) Financial liabilities

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

4.5 Offsetting of financial assets and financial liabilities

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

4.6 Long term deposits

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

4.7 Trade debts

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

4.8 Borrowing costs

Borrowing costs are interest or other costs incurred by the Company in connection with the borrowing of funds. Borrowing cost that is directly attributable to a qualifying asset, i.e., an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, is capitalized as part of cost of that asset. All other borrowing costs are charged to income in the period in which they are incurred.

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4.9 Taxation

Current

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

Deferred

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

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

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

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

4.10 Revenue recognition

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

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4.11 Expenses

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

4.12 Provisions

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

4.13 Creditors, accrued and other liabilities

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

4.14 Dividend

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

4.15 Cash and cash equivalents

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

4.16 Earning per share

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

4.17 Leases**a) Right of use of assets**

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

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b) Lease liabilities

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

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

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

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

4.18 Operating segments

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

4.19. Impact of COVID

Following the financial year that ended on June 30, 2020, increase in the COVID positive cases have been observed in the country and worldwide at different time intervals. At balance sheet date of these financial statements and later on, the infection rate is on increase in the country and as a consequence, the government has formally tighten the implementation of COVID related standard operating procedures along with enforcement of some other strict measures. However, there is no alarming indication towards infection spread at large scale leading towards economic and business lockdown in the country.

The Company is closely monitoring the situation and is of the view that adequate controls business continuity plans, remote working capabilities and procedures are in place that ensures the safety and security of the staff and uninterrupted service to the customers. Further, the Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Company has made an assessment of COVID-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Company.

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5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

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

2021 ----- (No. of shares) -----	2020	Note	2021 ----- (Rupees) -----	2020
<u>14,413,600</u>	<u>14,413,600</u>	Issued for cash	<u>144,136,000</u>	<u>144,136,000</u>

5.1 Pattern of Shareholding

Categories of shareholders	Shareholders	Shares Held	Percentage
Members			
Mrs Fatima Usman	1	4,418,100	30.652%
Mrs. Naik Perveen	1	972,555	6.747%
Mr. Muhammad Arfeen Dhedhi	1	972,625	6.748%
Mr. Amir Nazeer Dhedhi	1	972,625	6.748%
Ms. Alla Dhedhi	1	972,625	6.748%
Mr. Sajid Anwar	1	500	0.003%
Mr. M Asadullah Sheikh	1	500	0.003%
Mrs Farzana Asad	1	432,270	2.999%
Government of KPK GPI Fund	1	5,670,300	39.340%
Directors and their spouse(s) and minor children			
Ms. Farah Zubair	1	500	0.003%
Mr. Pervez Mirza Chaghtal	1	500	0.003%
Mr. Muhammad Naeem Mahmood Shahid	1	500	0.003%
Total		<u>14,413,600</u>	<u>100.00%</u>

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

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

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	Note	2021	2020
		(Rupees)	
6. LONG TERM LOAN AND FINANCES			
Silk Bank Limited - Term Finance	6.1	-	100,000,000
Silk Bank Limited - Running finance	6.2	-	90,000,000
Summit Bank Limited	6.3	200,000,000	200,000,000
Lease liability	6.4	385,776	1,792,824
		200,385,776	391,792,824
Less: Current Portion lease liability		(385,776)	(1,407,048)
Less: Current Portion of long term loan		-	(100,000,000)
Long term Portion		200,000,000	290,385,776

- 6.1** The Company obtained a term finance facility from Silk Bank Limited amounting to Rs. 100 million for a period of 18 months and was repayable in October 2020. During the prior year ended June 30, 2020, the Company had filed deferment under regulatory relief of SBP Circular on Covid 19 which was extended for six months upto March 31, 2021 and further extended upto 31 July, 2021. The said facility carries mark-up @ 3 months KIBOR plus 2.5% per annum payable on quarterly basis. The facility was secured by first pari passu charges of Rs. 1.14 billion on receivable of the Company. During the year ended June 30 2021, the Company has paid the outstanding amount of said facility.
- 6.2** The Company obtained running finance facility of Rs 90 million which was repayable in January 2020. During the prior year ended June 30, 2020, the Company had filed deferment under regulatory relief of SBP Circular on Covid 19 which was extended upto March 31, 2021 and further extended upto 31 July, 2021. The said facility carries mark-up at the rate of 3-months (KIBOR) plus 2.5% per annum payable on quarterly basis. The facility was secured by first pari passu charge of Rs. 1.14 billion on receivables of the Company. During the year, the Company has paid the outstanding amount of said facility.
- 6.3** This represents term finance facility obtained from Summit Bank Limited of Rs. 200 million (2020: Rs. 200 million) to finance long term investment in listed companies and was re-payable in March 2021. During the year, the Company has filed a suit in the Honorable Court of Sindh against the bank in which the have claimed for the NOC against the said loan after adjusting the Company's receivable balance, the realization of which is contingent on the outcome of the petition. The legal advisor of the Company has confirmed that the matter is highly unlikely to be settled till June 30, 2022. Therefore, the loan has been classified as long term. Markup on the facility is 3 months KIBOR plus 2% per annum. The facility is secured against first pari passu charge over receivable with 30% in favor of the bank and personal guarantee of the Chief Executive Officer of the Company. The facility is subject to renewal at the expiry.

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- 6.4** Rental contracts are made for a fixed period subject to renewal upon mutual consent of Company and lessor. Wherever practicable the Company seeks to include extension option to provide operational flexibility. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised. The future lease payments had been discounted using average borrowing rate as at 30 June 2021.

	2021	2020
	-----Rupees-----	
Present value of minimum lease payments	-	385,776
Less: current portion of lease liabilities	385,776	1,407,048
	<u>385,776</u>	<u>1,792,824</u>

Maturity analysis

Not later than 1 year	385,776	1,581,840
Later than 1 year but not later than five years	-	395,460
	<u>385,776</u>	<u>1,977,300</u>

7. STAFF RETIREMENT BENEFITS

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

7.2 Principal actuarial assumptions

The latest actuarial valuations of the unfunded gratuity scheme was carried out by the valuers Akhtar & Hassan Company as at 30 June 2021. The principal actuarial assumptions based on actuarial report for the year ended 30 June 2021 are as follows:

	Note	2021	2020
		-----Rates-----	
Discount rate		<u>10.25%</u>	<u>9.25%</u>
Salary increase rate		<u>9.00%</u>	<u>8.00%</u>
Mortality rates		<u>SLIC(2001-05)-1</u>	<u>SLIC(2001-05)-1</u>

4x

	2021	2020
	----- (Rupees) -----	
7.3 The amounts recognized in statement of financial position		
Present value of defined benefit obligations	30,218,000	21,005,103
Fair value of plan assets	-	-
Deficit	<u>30,218,000</u>	<u>21,005,103</u>
7.4 Movement in present value of defined benefit obligations		
Present value of obligations as at 01 July	21,005,000	22,737,000
Current service cost	2,735,000	2,739,103
Interest cost on defined benefit obligation	1,906,000	2,702,000
Re-measurement loss/(gain)	5,361,000	(3,748,000)
Actual benefits paid during the year	(789,000)	(3,425,000)
Present value of obligation as at 30 June	<u>30,218,000</u>	<u>21,005,103</u>
7.5 Cost recognized in profit or loss		
Current service cost	2,735,000	2,739,103
Net interest	1,906,000	2,702,000
	<u>4,641,000</u>	<u>5,441,103</u>
7.5 Remesurement recognized in other comprehensive income		
Loss / (gain) due to change in financial assumptions	32,000	(108,000)
Loss / (gain) due to change in experience adjustments	5,329,000	(3,640,000)
	<u>5,361,000</u>	<u>(3,748,000)</u>
7.6 Sensitivity analysis on significant actuarial assumptions:		
Current Liability	<u>30,218,000</u>	<u>21,005,103</u>
Discount rate: +0.5%	<u>28,897,000</u>	<u>20,069,000</u>
Discount rate: -0.5%	<u>31,638,000</u>	<u>22,014,000</u>
Long term salary increase: +0.5%	<u>31,648,000</u>	<u>22,021,000</u>
Long term salary increase: -0.5%	<u>28,876,000</u>	<u>20,054,000</u>

9x

8. DEFERRED TAXATION

	2021		
	Opening balance	(Charge) / reversal (Rupees)	Closing balance
Taxable temporary difference:			
Accelerated depreciation allowance	(5,996,451)	(74,310)	(6,070,761)
Right of Use of assets	(539,240)	431,392	(107,848)
Investments-FVOCI	-	(134,871,029)	(134,871,029)
Re-measurement of staff retirement obligation	(1,086,920)	2,641,658	1,554,738
Deductible temporary difference:			
Provision for doubtful debts	1,482,852	1,856,000	3,338,852
Provision for gratuity	6,091,480	2,671,740	8,763,220
Liability against leased assets	519,919	(408,044)	111,875
Investments-FVTPL	556,759	611,427	1,168,186
Depreciation / Initial allowance unlimited C/F	1,691,545	-	1,691,545
	<u>2,719,943</u>	<u>(127,141,165)</u>	<u>(124,421,222)</u>
2020			
	Opening balance	(Charge) / reversal (Rupees)	Closing balance
Taxable temporary difference:			
Accelerated depreciation allowance	(5,039,445)	(957,006)	(5,996,451)
Right of Use of assets	-	(539,240)	(539,240)
Deductible temporary difference:			
Provision for doubtful debts	1,754,689	(271,837)	1,482,852
Provision for gratuity	6,593,730	(502,250)	6,091,480
Liability against leased assets	-	519,919	519,919
Investments	-	556,759	556,759
Re-measurement of staff retirement obligation	-	(1,086,920)	(1,086,920)
Depreciation / Initial allowance unlimited C/F	-	1,691,545	1,691,545
	<u>3,308,974</u>	<u>(589,031)</u>	<u>2,719,943</u>

	Note	2021	2020
		(Rupees)	
9. TRADE CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors for purchase of shares	9.1	299,650,036	108,576,635
Creditors of PMEX		6,143	6,143
Payable to money market clients		456,323,446	312,506,359
Payable to forex clients		188,493	175,274
Sindh sales tax on brokerage services		5,277,684	-
Commission payable to traders		24,395,380	6,281,787
Accrued and other liabilities		12,013,163	7,882,109
		<u>797,854,346</u>	<u>435,428,307</u>

9.1 This includes liability of creditors for sale of shares amounting Rs 10,571,356 dated June 29 and 30, 2021 (2020: Rs.21,676,750) which will be settled after reporting date.

		2021	2020
		(Rupees)	
	Note		
10. SHORT TERM BORROWINGS			
Summit Bank Limited	10.1	143,382,671	143,382,671
Silk Bank Limited	10.2	599,894,359	597,903,897
Sindh Bank Limited	10.3	341,196,689	395,281,974
Askari Bank Limited	10.4	500,079,350	314,512,506
Soneri Bank Limited	10.5	7,310,156	8,109,036
Silk Bank Limited - Term Finance	6.1	-	100,000,000
From investment companies - secured			
Saudi Pak Agricultural & Investment Company Limited	10.6	45,000,000	55,000,000
		1,636,863,225	1,614,190,084
10.1	This represents running finance facility with a limit of Rs.172 million (2020: Rs.172 million) against readily marketable shares of quoted companies and personal guarantee of the Chief Executive Officer of the Company for meeting the working capital requirements carrying markup at the rate of 3 months KIBOR plus 300 bps per annum, which at the year end stood at 10.58% per annum (2020: 11.22% per annum).		
10.2	This represent running finance facility with a limit of Rs. 600 million (2020: Rs. 600 million) for meeting the working capital requirements carrying markup at the rate of 3 months KIBOR plus 250 bps per annum subject to quarterly revisions, which at the year end stood at 10.09% per annum (2020: 11.22% per annum). The facility is secured with first pari passu charge of Rs. 1.14 billion on receivables of the Company. The facility will expire on December 2022.		
10.3	This represents running finance facility with a limit of Rs. 350 million (2020: Rs. 420 million) for meeting the working capital requirements carrying markup at the rate of 3 months KIBOR plus 300 bps (2020:375 bps) per annum subject to quarterly revisions, which at the year end stood at 10.58% per annum (2020: 14.97% per annum). The facility is secured by pledge of shares of listed companies with 35% margin. The facility will expire in December 2021.		
10.4	This represents running finance facility with a limit of Rs. 500 million (2020: Rs. 400 million) for meeting the working capital requirements carrying markup at the rate of 1 month KIBOR plus 200 bps per annum payable on quarterly basis, which at the year end amounted to 9.53% per annum (2019: 10.33% per annum). The facility is secured by pledge of shares with 30% to 50% margin (2020: 30% to 50% margin). The facility will expire in December 2021.		
10.5	This represents running finance facility with a limit of Rs. 250 million (2020: Rs. 250 million) for meeting the working capital requirements carrying markup at the rate of 3 months (2020: 6 months) KIBOR plus 250 bps per annum payable on quarterly basis, which at the year end amounted to 10.08% per annum (2020: 15.99%). The facility is secured by pledge of shares with 30% to 50% margin. The facility will expire in January 2022.		
10.6	This represents short term revolving finance facility with a limit of Rs.250 million (2020: Rs.250 million) for meeting the working capital requirements carrying markup at the rate of 3 months KIBOR plus 310 bps per annum payable on quarterly basis, which at the year end amounted to 10.53% per annum (2020: 11.04% per annum). The facility is secured by pledge of shares with 35% margin (2020: 35% margin). The facility will expire in March 2023.		
10.7	The unavailed credit facilities by the Company as at year end aggregated to Rs. 872.11 million (2020: Rs. 571.5 million)		

11. CONTINGENCIES AND COMMITMENTS**11.1 Contingencies**

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

11.2 Commitments

	2021	2020
	(Rupees)	
Against future sale	223,543,060	156,674,190
Against future buy	14,070,130	180,775,185

12. PROPERTY AND EQUIPMENTS

Note

	2021	2020
	(Rupees)	
Property & equipments	40,768,594	38,590,029
	40,768,594	38,590,029

12.1

	30 June 2021					
	Office Premises	Furniture and fixtures	Office equipment	Computers	Vehicles	Total
	(Rupees)					
COST						
As at 1 July 2020	15,396,625	8,446,037	6,058,258	16,536,311	27,287,751	73,724,982
Additions	-	75,718	3,036,916	1,738,638	2,198,500	7,049,772
Disposals	-	-	(223,570)	(989,960)	-	(1,213,530)
As at 30 June 2021	15,396,625	8,521,755	8,871,604	17,284,989	29,486,251	79,561,224
ACCUMULATED DEPRECIATION						
As at 1 July 2020	-	5,641,274	3,083,899	12,294,007	14,115,773	35,134,953
For the year	-	285,524	388,639	1,035,323	2,997,513	4,706,999
On disposals	-	-	(120,065)	(929,257)	-	(1,049,322)
As at 30 June 2021	-	5,926,798	3,352,473	12,400,073	17,113,286	38,792,630
Written down value	15,396,625	2,594,957	5,519,131	4,884,916	12,372,965	40,768,594

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	30 June 2020					
	Office Premises	Furniture and fixtures	Office equipment	Computers	Vehicles	Total
	(Rupees)					
COST						
As at 1 July 2019	15,396,625	8,446,037	5,797,221	15,898,851	27,311,251	72,849,985
Additions	-	-	290,815	857,450	2,868,520	4,016,775
Disposals	-	-	(29,778)	(229,000)	(2,892,000)	(3,141,778)
As at 30 June 2020	15,396,625	8,446,037	6,058,258	16,536,311	27,287,751	73,724,982
ACCUMULATED DEPRECIATION						
As at 1 July 2019	-	5,330,382	2,783,238	11,547,804	12,974,733	32,636,157
For the year	-	310,832	320,390	948,880	2,316,328	3,896,498
On disposals	-	-	(19,737)	(202,677)	(1,175,288)	(1,397,702)
As at 30 June 2020	-	5,641,214	3,083,899	12,294,007	14,115,773	35,134,953
Written down value	15,396,625	2,804,763	2,974,359	4,242,304	13,171,978	38,590,029
Depreciation rate per annum	-	10%	10%	20%	20%	

		2021	2020
	Note	(Rupees)	
13. RIGHT OF USE ASSETS			
Cost		3,347,008	-
Addition		-	3,347,008
Disposal		-	-
Closing balance		3,347,008	3,347,008
Accumulated Depreciation			
Opening balance		1,487,559	-
Charge for the year		1,487,560	1,487,559
Closing balance		2,975,119	1,487,559
Carrying amount		371,889	1,859,449
14. INTANGIBLE ASSETS			
Trading Right Entitlement Certificate	14.1	2,500,000	2,500,000
Pakistan Mercantile Exchange Limited - membership card		250,000	250,000
		2,750,000	2,750,000

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

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		2021	2020
	Note	(Rupees)	
15. LONG TERM DEPOSITS			
Pakistan Stock Exchange Limited	15.1	4,955,979	11,905,979
National Clearing Company of Pakistan Limited		1,400,000	1,200,000
Pakistan Mercantile Exchange Limited		3,250,000	3,250,000
Central Depository Company of Pakistan Limited		100,000	100,000
Others		782,000	605,000
		<u>10,487,979</u>	<u>17,060,979</u>
15.1	This include amount placed with Pakistan Stock Exchange Limited as a basic deposit for taking exposure in regular and future market and cash deposited Rs 4,955,979 (2020: Rs. 11,905,979) against BMC requirement.		

		2021	2020
	Note	(Rupees)	
16. SHORT TERM INVESTMENT			
Financial assets classified as FVTPL			
Shares of listed companies - carrying amount	16.1	136,075,547	21,901,136
Unrealized loss on revaluation of fair value through profit or loss investments		(7,787,909)	(3,711,724)
Fair value as at June 30,		<u>128,287,638</u>	<u>18,189,412</u>
Financial assets classified as FVTOCI			
Share of listed companies - carrying amount	16.2	857,835,166	332,870,118
Unrealized gain on revaluation of fair value through other comprehensive income		899,140,195	52,192,897
Fair value as at June 30,		<u>1,756,975,361</u>	<u>385,063,015</u>
Total Short Term Investment		<u>1,885,262,999</u>	<u>403,252,427</u>

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15.1 Financial assets classified as fair value through profit and Loss

		Rupees			
		2021		2020	
Number Of Shares	Name of the Company	Average Cost	Market Value	Average Cost	Market Value
2021	2020				
75,000	Amreli Steels Limited	3,416,407	3,258,000	1,087,965	1,011,840
425,500	Bank Alfai Limited	13,764,304	13,692,590	-	-
50,000	Bank Ehsani Pakistan Limited	669,755	562,000	-	-
-	Asiani Bank Limited	-	-	1,281,068	856,875
277,500	The Bank of Punjab	2,585,175	2,331,000	1,622,481	1,008,800
446,500	The Crescent Textile Mills Ltd	14,124,431	12,184,985	-	-
-	Engro Polymer Limited	-	-	413,925	324,740
189,500	Flying Cement Ltd	4,422,099	4,032,560	-	-
60,000	Invest Capital Bank Limited	182,700	169,800	-	-
46,500	Haseol Petroleum	686,340	415,245	-	-
127,500	Lotchemical Limited	1,920,150	1,968,600	-	-
-	International Steels Limited	-	-	2,708,962	2,479,210
50,000	Oil & Gas Development Co Limited	5,100,701	4,751,500	1,734,372	1,639,050
-	Lucky Cement Co Limited	-	-	4,990,370	4,708,116
-	Lotte Chemical Limited	-	-	1,804,537	1,268,625
12,500	National Refinery Limited	7,098,930	6,539,875	128,488	139,464
84,500	Netsol Technologies Limited	19,658,203	14,363,310	-	-
11,000	Pakistan Hotel Development	1,459,737	1,122,000	-	-
-	Pak Suzuki Motors Company Limited	-	-	2,140,254	1,521,202
-	Pakistan Stock Exchange Limited	-	-	1,353,467	1,237,500
25,000	Pakistan State Oil Company Limited	6,103,412	5,606,250	-	-
35,500	Shell Pakistan Limited	6,920,869	6,219,600	-	-
1,100,000	Summit Bank Limited	3,486,371	2,563,000	347,772	346,800
3,500	Searle Pakistan Limited	913,564	849,170	-	-
80,000	Sui Southern Gas Company Limited	1,170,910	1,064,000	-	-
-	Tariq Glass Limited	-	-	937,363	903,280
220,893	TRG Pakistan Limited	32,210,934	36,741,133	-	-
163,500	Unity Foods Limited	7,485,307	7,279,020	-	-
650,000	Worldcell Telecom Limited	2,695,248	2,574,000	1,169,913	744,720
4,134,393	1,721,600	136,075,547	128,287,638	21,901,136	18,189,412

16.2 Financial assets carried at Fair value through other comprehensive income

Number Of Shares 2021	2020	Name of the Company	2021		2020	
			Rupees		Rupees	
			Average Cost	Market Value	Average Cost	Market Value
2,062,285	2,062,285	Arsam Sugar Mills Limited	41,244,026	11,981,876	41,244,026	11,981,876
3,198,500	-	Al-Shaheer Corp Ltd	81,502,032	63,746,105	-	-
50,000	73,500	Bank Alfalah Limited	2,569,450	1,609,000	3,777,091	2,467,395
13,700,000	-	BYCO Petroleum	157,542,000	159,057,000	-	-
-	248,500	Devon Cement Limited	-	-	3,600,749	1,933,330
100,000	-	Engro Fertilizer	6,488,464	7,027,000	-	-
997,000	997,000	First Capital Equities Limited	35,094,380	9,461,530	35,094,380	9,461,530
3,935,000	-	First Capital Sec Corp Ltd	13,851,200	11,096,700	-	-
-	13,200	Ferrosans Laboratories Limited	-	-	4,863,959	3,965,676
528,500	-	Fauji Foods Limited	13,265,350	9,544,710	-	-
215,000	-	Ghani Glass Limited	9,692,810	10,363,000	-	-
-	200	Ghendara Industries Limited	-	-	74,700	34,200
500	2,000	Honda Atlas Cars Limited	325,000	172,890	1,300,000	387,360
202,500	302,500	Haseco Petroleum Limited	4,636,516	1,808,325	6,926,153	4,114,000
-	653,000	K-Electric Company Limited	-	-	3,083,155	1,965,530
3,850	2,600	Murren Brewery Company Limited	2,255,212	2,239,930	1,566,668	1,508,000
1,300	-	National Refinery Ltd	454,792	680,147	-	-
41,000	441,000	Power Cement Limited	405,080	394,010	4,300,740	2,734,200
-	31,400	Pakistan State Oil Company Limited	-	-	5,969,108	4,966,224
54,000	39,300	Pakistan Petroleum Limited	5,001,425	4,688,820	4,540,116	3,410,454
1,975,453	1,632,953	Pakistan Stock Exchange Limited	17,405,049	44,072,356	12,659,953	16,366,235
66,822,946	899,946	Summit Bank Limited	213,836,753	155,697,464	2,760,421	1,079,935
57,000,000	-	SLK Bank Limited	71,017,544	114,570,000	-	-
-	77,500	Sui Northern Gas Pipelines Limited	-	-	5,682,256	4,231,500
215,000	120,500	Sui Southern Gas Company Limited	3,834,303	2,859,500	2,538,427	1,607,470
-	74,543	The Universal Insurance Company Limited	-	-	745,430	301,099
1,150	1,150	The Saeed Company Limited	349,365	279,013	349,365	229,115
-	10,000	Siddiquis Tin Plate Limited	-	-	204,213	92,200
-	63,800	TPL Properties Limited	-	-	663,844	331,760
6,887,669	10,982,669	TRG Pakistan Limited	176,064,417	1,145,625,985	187,135,595	310,150,571
-	175,117	Unity Foods Limited	-	-	3,780,769	1,952,555
157,991,653	10,904,663		857,835,166	1,756,975,361	332,820,118	385,063,915

- 16.3** Fair value of shares pledged with banking companies against various short term running finance facilities as at June 30, 2021 amounted to Rs. 2,300 million (2020: Rs. 1,487 million). Total value of pledged securities with financial institutions indicating separately securities belonging to customers is as under:

	June 30, 2021		June 30, 2020	
	No. of securities	Amount (Rupees)	No. of securities	Amount (Rupees)
Client	136,322,320	858,538,611	413,587,820	864,824,745
House	60,640,619	1,441,741,337	154,878,970	622,343,873
	<u>196,962,939</u>	<u>2,300,279,948</u>	<u>568,466,790</u>	<u>1,487,168,618</u>

17. TRADE DEBTS

Receivable from client on behalf of;

Purchase of shares on behalf of clients
Money market and Forex Brokerage

Note	2021 (Rupees)	2020 (Rupees)
17.1	<u>1,488,072,919</u>	2,010,956,146
	<u>39,604,870</u>	39,486,465
	<u>1,527,677,789</u>	2,050,442,612
	<u>11,513,282</u>	5,113,282
	<u>1,539,191,070</u>	2,055,555,894
17.2	<u>(11,513,282)</u>	(5,113,282)
	<u>1,527,677,788</u>	2,050,442,612

- 17.1** This includes an amount of Rs. 124,194,630 (2020: Rs. 260,067,741) receivable from NCCPL against trade of clients.

17.2 Provision against expected credit losses

Opening

Charge / (reversal) for the year

Closing

Note	2021 (Rupees)	2020 (Rupees)
	<u>5,113,282</u>	5,290,938
	<u>6,400,000</u>	(177,656)
	<u>11,513,282</u>	5,113,282

17.3 Treatment of amount receivable from customers

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

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- 17.4** The Company have equity securities under custody having fair value of Rs. 2.884 billion (30 June 2020: Rs. 4.30 billion) owned by its clients as collaterals against trade debts. The aging analysis of the trade receivable from clients as at the reporting date is as follows:

	June 30, 2021		June 30, 2020	
	Gross	Impairment	Gross	Impairment
	(Rupees)			
Past due 1 day - 30 days	1,095,089,859	-	1,613,151,287	-
Past due 31 days - 60 days	3,453,718	-	8,572,571	-
Past due 61 days to 90 days	4,064,552	-	16,460,860	-
Past due 91 days to 180 days	16,429,532	-	40,000,922	-
Past due 180 days	79,082,595	11,513,282	77,816,047	5,113,282
Total	1,198,120,256	11,513,282	1,756,001,687	5,113,282

- 17.5** This includes an amount of Rs. Nil (2020: Rs. 14,414) receivable from related parties of the Company. The breakup of which is as follows:

Name of client	2021	2020
	(Rupees)	
Mr. Safer Ahmad	-	14,414
		14,414

18. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to staff - secured		7,197,672	5,290,949
Trade deposit	18.1	33,906,563	1,133,802
Prepayments		1,277,105	339,022
Other deposits and receivables		2,630,700	3,691,747
		45,012,040	10,455,520

- 18.1** This represent deposit with National Clearing Company Pakistan Limited against the exposure margin in respect of trade in future and ready market. These deposits carry profits at rates ranging from 4.5% to 11% (2020:4.5% to 11%)

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	Note	2021 ----- (Rupees) -----	2020
19. CASH AND BANK BALANCES			
Cash in hand		4,258,825	3,739,432
At banks:			
- Client accounts (current)		308,918,983	87,693,377
- Current accounts		3,806,192	1,518,234
- Saving accounts	19.1	1,213,084	769,809
		<u>318,197,084</u>	<u>93,720,852</u>
19.1	The interest rates on saving accounts range from 6% to 10% per annum (2020: 8% to 12%).		
19.2	Detail of customer assets held in designated bank accounts and CDC are as follows:		
		2021	2020
Customers assets held in the designated bank accounts		<u>308,918,983</u>	<u>89,252,029</u>
Customers assets held in the CDC (in numbers)		<u>661,110,308</u>	<u>706,317,141</u>
20. OPERATING REVENUE	Note	2021 ----- (Rupees) -----	2020
Equity Brokerage commission		250,734,116	110,068,208
Inter-bank brokerage commission		25,759,769	28,194,783
Sales tax on income		(31,809,031)	(15,906,362)
		<u>244,684,854</u>	<u>122,356,629</u>
21. ADMINISTRATIVE AND OPERATING EXPENSE			
Salaries, benefits and other allowances	21.1	130,650,109	62,717,246
Fee for directors meetings		500,000	250,000
Insurance		761,433	821,575
Utilities		2,493,092	2,038,105
Printing and stationery		847,904	760,005
Entertainment		1,971,311	1,381,853
Communication		5,053,158	4,637,373
Vehicle running		4,270,634	2,808,312
Repairs and maintenance		4,757,386	4,884,649
Travelling and conveyance		1,625,065	1,027,654
Depreciation on right-of-use asset	13	1,487,560	1,487,559
Legal and professional charges		5,766,605	5,458,754
Fee and subscriptions		2,242,386	1,740,124
Auditors' remuneration	21.2	467,000	420,000
Rent, rates and taxes		4,828,846	5,621,668
Depreciation	12.1	4,706,999	3,896,498
Transaction and settlement cost		20,026,737	6,023,537
Business promotion		6,433,790	6,120,151
Donations and charity	21.3	800,000	722,446
Provision for bad debts expense		6,400,000	-
Miscellaneous		2,364,072	3,940,770
		<u>208,454,087</u>	<u>116,758,279</u>

21.1 This include remuneration to Chief Executive Officer amounting to Rs 3,070,000 (2020: 1,800,000).

	Note	2021 ----- (Rupees) -----	2020
21.2 Auditors' remuneration			
Statutory audit fee		400,000	370,000
Sindh sales tax @ 8% (2020: 8%)		32,000	31,111
Out-of-pocket expenses		35,000	18,889
		<u>467,000</u>	<u>420,000</u>
21.3	Donation do not include any donee in whom any director or his spouse has any interest.		

	Note	2021 ----- (Rupees) -----	2020
22. FINANCE COST			
Markup on short term borrowings		81,210,531	115,152,710
Markup on long term borrowings		20,534,551	34,018,174
Markup on lease facility		174,792	369,656
Bank charges		187,358	276,399
		<u>102,107,232</u>	<u>149,816,939</u>
23. OTHER INCOME			
Income from financial assets			
Return on short term investment		11,030	-
Return on margin financing & MTS		15,053,572	4,660,908
Dividend income		35,275,112	886,667
Return on cash margins with PSX & PMEX		2,041,951	2,609,834
Profit from profit and loss sharing account		81,799	130,509
		<u>52,463,464</u>	<u>8,287,937</u>
Income from non-financial assets			
(loss)/Gain on disposal of fixed assets		(106,408)	917,926
Reversal of provision against expected credit losses		-	177,656
		<u>(106,408)</u>	<u>1,095,582</u>
		<u>52,357,056</u>	<u>9,383,519</u>

24. TAXATION

- 24.1** The Company has filed income tax return for the tax year 2020 (financial year ended June 30, 2020) which is deemed to have been assessed under the Income Tax Ordinance, 2001 unless selected by the taxation authorities for audit purposes.

25. EARNING / (LOSS) PER SHARE - BASIC AND DILUTED

		2021	2020
Profit / (loss) after taxation for the year	Rupees	<u>136,341,572</u>	<u>(117,715,802)</u>
Weighted average number of ordinary shares	Number of shares	<u>14,413,600</u>	<u>14,413,600</u>
Earning / (loss) per share	Rupees	<u>9.46</u>	<u>(8.17)</u>

25.1 Diluted earnings per share

There is no dilutive effect on the basic earnings per share of the Company, since there are no convertible instruments in issue as at June 30, 2021 and June 30, 2020 which would have any effect on the earnings per share.

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26. REMUNERATION OF THE CHIEF EXECUTIVE AND DIRECTORS

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

	2021			2020		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees)					
Managerial remuneration	3,170,000	-	26,989,312	1,800,000	-	9,526,928
Fee for attending meetings	100,000	400,000	-	50,000	200,000	-
	3,270,000	400,000	26,989,312	1,850,000	200,000	9,526,928

	Number					
No. of person(s)	1	4	13	1	4	5

- 26.1** The Chief Executive Officer is provided with the Company maintained car, in accordance with the Company's policy.
- 26.2** The total number of employees as at year end were 64 (2020: 52), whereas, average number of employees during the year were 58 (2020: 58).

27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

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

27.1 Credit risk

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

Exposure to credit risk

Credit risk of the Company arises principally from trade debts, loans and advances, trade deposits, bank balances and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits accordingly to their worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery.

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

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

	Carrying amount	
	2021	2020
	(Rupees)	
Long term deposits	10,487,979	17,060,979
Receivable against Margin Financing Transactions	85,215,453	45,939,784
Trade debts	1,527,677,788	2,050,442,612
Advances, deposits and other receivables	43,734,935	10,116,498
Bank balances	313,938,260	89,981,421
	1,981,054,416	2,213,541,294

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

All balances are denominated in local currency.

27.1.2 Bank balances

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

Credit rating and Collaterals

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

	Rating Agency	Long Term Rating	Short Term Rating	Rupees	%
Askari Bank Limited	PACRA	AA+	A1+	216,702,714	69.03%
Bank Al Falah	PACRA	AA+	A1+	1,690,725	0.54%
Bank Al Habib	PACRA	AAA	A1+	54,760	0.02%
Bank Islami Limited	PACRA	A+	A1	20,069	0.01%
Bank Of Khyber	VIS	A+	A-1	22,906	0.01%
Dubai Islamic Bank	VIS	AA	A-1+	4,097,731	1.31%
Habib Bank Limited	VIS	AAA	A-1+	56,575,941	18.02%
Habib Metropolitant Bank	PACRA	AA+	A1+	145,331	0.05%
IS Bank Limited	PACRA	AA-	A1+	1,908,265	0.61%
MCB Bank Limited	PACRA	AAA	A1+	758,919	0.24%
Meezan Bank Limited	VIS	AAA	A-1+	4,529,421	1.44%
National Bank	VIS	AAA	A-1+	697,977	0.22%
Summit Bank Limited	VIS	BBB-	A-3	26,733,500	8.52%
				313,938,259	

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27.2 Liquidity risk

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

Carrying amount	2021				
	Contractual cash flows	Less than six months	Up to one year	One to five years	More than five years
	Rupees				
Financial liabilities					
Long term loan and finances	200,000,000	200,000,000	-	200,000,000	-
Trade creditors, accrued and other	797,854,346	797,854,346	797,854,346	-	-
Accrued mark-up	93,037,387	93,037,387	93,037,387	-	-
Short term borrowings	1,636,863,225	1,636,863,225	1,636,863,225	-	-
Current portion of lease liability	385,776	385,776	385,776	-	-
	2,727,754,957	2,727,754,957	2,527,754,958	200,000,000	-
Carrying amount	2020				
	Contractual cash flows	Less than six months	Up to one year	One to five years	More than five years
	Rupees				
Financial Liabilities					
Long term loan and finances	290,385,776	290,385,776	-	290,385,776	-
Trade creditors, accrued and other	435,428,307	435,428,307	435,428,307	-	-
Accrued mark-up	140,266,714	140,266,714	140,266,714	-	-
Short term borrowings	1,614,190,084	1,614,190,084	1,614,190,084	-	-
Current portion of lease liability	1,407,048	1,407,048	1,407,048	-	-
	2,480,270,879	2,480,270,879	2,189,885,105	290,385,776	-

27.3 Market risk

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

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27.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was as follows:

	Carrying amount	
	2021	2020
	----- (Rupees) -----	
Fixed Rate Investment		
- Bank balances in profit and loss sharing accounts	<u>1,213,084</u>	<u>769,809</u>

Sensitivity analysis

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

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

	Rate		Carrying values	
	2021	2020	2021	2020
			----- (Rupees) -----	
Financial assets				
Receivable against margin financing	10% to 18%	10% to 20%	85,215,453	45,939,784
Bank balances	6% to 10%	8% to 12%	<u>313,938,259</u>	<u>89,981,420</u>
			<u>399,153,711</u>	<u>135,921,204</u>
Financial liabilities				
Term finance facility	8% to 12%	10% to 15%	200,000,000	290,385,776
Short term borrowing	8% to 12%	10% to 16%	<u>1,636,863,225</u>	<u>1,514,190,064</u>
			<u>1,836,863,225</u>	<u>1,904,575,860</u>
Cumulative gap			<u>(1,437,709,514)</u>	<u>(1,768,654,655)</u>

27.3.2 Price risk

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

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

27.3.3 Currency risk

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

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27.4 Operational risk

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

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

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

27.5 Fair value of financial assets and liabilities

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

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

The Company measures fair value of its financial and non-financial assets that are measured at fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

Level 2: Valuation techniques based on observable inputs

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

Fair values of assets that are traded in active markets are based on quoted market prices.

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

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

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	June 30, 2021				Fair Value		
On Balance Sheet Financial Instruments	Assets at fair value through profit or loss	Assets at fair value through other comprehensive income	Assets at amortised cost	Total	Level 1	Level 2	Level 3
	(Rupees)						
Financial Assets							
Long term investments	-	-	-	-	-	-	-
Long term deposits	-	-	10,487,979	10,487,979	-	-	-
Short term investments	1,885,262,999	-	-	1,885,262,999	1,885,262,999	-	-
Reserve against margin finance transactions	-	-	95,215,453	95,215,453	-	-	-
Trade debts	-	-	1,527,577,788	1,527,577,788	-	-	-
Advances, deposits, prepayments and other receivables	-	-	45,412,040	45,412,040	-	-	-
Bank balances	-	-	313,938,259	313,938,259	-	-	-
	1,885,262,999	-	1,902,331,520	3,867,594,519	1,885,262,999	-	-

Financial Liabilities							
Long term loan and finances	-	-	201,000,000	201,000,000	-	-	-
Staff retirement benefits	-	-	31,218,000	31,218,000	-	-	31,218,000
Trade creditors, accrued and other liabilities	-	-	797,354,346	797,354,346	-	-	-
Accrued markup	-	-	93,437,387	93,437,387	-	-	-
Short term borrowings	-	-	1,634,863,225	1,634,863,225	-	-	-
Current portion of lease liability	-	-	385,776	385,776	-	-	-
	-	-	2,757,972,857	2,757,972,857	-	-	31,218,000

	June 30, 2020			Fair Value			
On Balance Sheet Financial Instruments	Assets at fair value through profit or loss	Assets at fair value through other comprehensive income	Assets at amortised cost	Total	Level 1	Level 2	Level 3
	(Rupees)						
Financial Assets							
Long term investments	-	-	-	-	-	-	-
Long term deposits	-	-	17,090,979	17,090,979	-	-	-
Short term investments	403,252,427	-	-	403,252,427	403,252,427	-	-
Reservable against margin finance transactions	-	-	45,599,784	45,599,784	-	-	-
Trade debts	-	-	2,052,442,812	2,052,442,812	-	-	-
Advances, deposits, prepayments and other receivables	-	-	10,455,520	10,455,520	-	-	-
Bank balances	-	-	88,981,420	88,981,420	-	-	-
	403,252,427	-	2,213,890,315	2,617,142,742	403,252,427	-	-
Financial Liabilities							
Long term loan and finances	-	-	290,385,776	290,385,776	-	-	-
Staff retirement benefits	-	-	21,005,103	21,005,103	-	-	21,005,103
Trade creditors, accrued and other liabilities	-	-	425,438,300	425,438,300	-	-	-
Accrued markup	-	-	140,296,714	140,296,714	-	-	-
Short term borrowings	-	-	1,614,130,884	1,614,130,884	-	-	-
Current portion of liability against leased assets	-	-	1,407,048	-	-	-	-
	-	-	2,561,375,882	2,561,375,882	-	-	21,005,103

28. CAPITAL RISK MANAGEMENT

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. Furthermore, the Company finances its operations through equity, borrowing and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

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

29. BASE MINIMUM CAPITAL

In compliance with the Regulation 19.3 of the Rule Book of Pakistan Stock Exchange Limited, every Trading Right Entitlement Certificate (TREC) holder registered as a broker under Securities Brokers (Licensing and Operations) Regulations, 2016 is required to maintain a Base Minimum Capital (BMC) in the amount and form as prescribed in the Rule on the basis of Assets Under Custody (AUC). As per the said regulation, as at 30 June 2021, the Company is required to maintain BMC of Rs. 23 million.

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

Trading Right Entitlement	14.1	2,500,000
Cash Deposit	15.1	4,955,979
Securitized PSX Shares		34,803,600
		42,259,579

2021 **2020**
 ----- (Rupees) -----

30. Capital Adequacy Level

Total assets	30.1	3,915,743,826	2,674,177,581
Total liabilities		(2,892,821,570)	(2,502,683,032)
Revaluation reserve created upon revaluation of fixed assets		-	-
		1,022,922,256	171,494,549

- 30.1** While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate held by Pearl securities limited as at year ended 30 June 2021 as determined by Pakistan Stock Exchange has been considered.

31. Net Capital balance

Net capital requirements of the Company are set and regulated by Pakistan Stock Exchange Limited. These requirements are put in place to ensure sufficient solvency margins and are based on excess of current assets over current liabilities.

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DESCRIPTION	VALUATION BASIS	Rupees VALUE
Current Assets		
Cash in hand	As per book value	4,258,825
Cash at bank	As per book value	
- In the name of broker		5,019,276
- In the name of client		308,918,993
		313,938,259
Trade Receivables	Book Value	1,573,288,372
	Less: Over due for more than 14 days	(111,556,016)
		1,461,732,356
Securities purchased for clients	Securities purchased for the clients and held by the member where the payment has not been received within 14 days	83,906,309
Deposits against exposure and losses with Karachi Stock Exchange	As per Book Value	33,906,563
Investment in listed Securities in the name of broker	Market-value	1,850,459,399
	Less: 15% discount	(277,566,915)
		1,572,890,484
Listed TFCs / Corporate Bonds (Not less than BBB grade)	Market-value	-
	Less: 10% discount	-
Federal investment bonds/ PIBs	Market-value	-
	Less: 5% discount	-
Treasury Bills	At Market value	-
		3,470,632,796
Current Liabilities		
Trade payables	Book value	299,650,036
	Less: overdue for more than 30 days	(73,032,177)
		226,617,859
Other liabilities	As classified under the generally acceptable accounting principles	2,238,532,312
Trade payables	Overdue by 30 days	73,032,177
		2,538,182,349
Net Capital Balance as at June 30, 2021		932,450,447



31.1 NOTES TO THE NET CAPITAL BALANCE

(i) STATEMENT OF COMPLIANCE

The statement of Net Capital Balance ("the Statement") of **Pearl Securities Limited** ("the Company") has been prepared in accordance with Rule 2(d) and the Third Schedule of the Securities and Exchange Rules, 1971 and in accordance with the clarifications/ guidelines issued by the Securities and Exchange Commission of Pakistan (SECP).

(ii) BANK BALANCES AND CASH DEPOSITS

Note ----- Rupees -----

These are stated at book value.

Cash in hand		4,258,825
Bank balance pertaining to:		
Brokerage house	5,019,276	
Client	308,918,983	
Total bank balance		313,938,259
Less: adjustment to restrict client account to overall creditors		-
		<u>318,197,084</u>

- (iii) The client's bank account balance amounting to Rs. Nil has been restricted to overall trade payable balance for the purpose of Net Capital Balance in accordance with clause 1.5 of clarification/guidelines issued by SECP on 03 July 2013.

(iv) TRADE RECEIVABLES

These are valued at cost less bad and doubtful debts (if any) and debts outstanding for more than 14 days.

	----- Rupees -----
Trade receivables	1,386,159,224
Receivable against margin financing	85,215,453
Receivable from NCCPL	101,913,595
Total receivables	<u>1,573,288,372</u>

(v) INVESTMENT IN LISTED SECURITIES IN THE NAME OF BROKER

Listed securities which are on the stock exchange are valued at market rates prevailing as on June 30, 2021 less 15% discount as prescribed in Rule 2(d) of the Third Schedule to the Securities and Exchange Rules, 1971, Securities. On default counter and those not appearing on the exposure list of the stock exchange where such securities are listed have been excluded from the calculation.

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Scrip	No. of shares	Market Value	Discount 15%	Carrying Value
Al-Shaheer Corp Limited	3,198,500	63,746,105	(9,561,916)	54,184,189
Amnelli Steels Limited	75,000	3,258,000	(488,700)	2,769,300
Ansari Sugar Mills Limited	2,062,285	11,981,876	(1,797,281)	10,184,595
Bank Alfalah Limited	475,500	15,301,590	(2,295,239)	13,006,351
Bank Islami Pakistan Limited	50,000	562,000	(84,300)	477,700
BYCO Petroleum	13,700,000	159,057,000	(23,858,550)	135,198,450
Engro Fertilizer	100,000	7,027,000	(1,054,050)	5,972,950
Fauji Foods Limited	528,500	9,544,710	(1,431,707)	8,113,003
First Capital Equities Limited	997,000	9,461,530	(1,419,230)	8,042,300
First Capital Sec Corp Limited	3,935,000	11,096,700	(1,664,505)	9,432,195
Flying Cement Limited	189,500	4,032,560	(604,884)	3,427,676
Ghani Glass Limited	215,000	10,363,000	(1,554,450)	8,808,550
Haseol Petroleum Limited	249,000	2,223,570	(333,536)	1,890,034
Honda Atlas Cars Limited	500	172,890	(25,934)	146,956
Invest Capital Bank Limited	50,000	169,800	(25,470)	144,330
Lotchemical Limited	127,500	1,968,600	(295,290)	1,673,310
Murree Brewery Company Limited	3,850	2,239,930	(335,990)	1,903,940
National Refinery Limited	13,800	7,220,022	(1,083,003)	6,137,019
Netsol Technologies Limited	84,500	14,363,310	(2,154,497)	12,208,813
Oil & Gas Development Co Limited	50,000	4,751,500	(712,725)	4,038,775
Pakistan Hotel Development	11,000	1,122,000	(168,300)	953,700
Pakistan Petroleum Limited	54,000	4,688,820	(703,323)	3,985,497
Pakistan State Oil Company Limited	25,000	5,606,250	(840,938)	4,765,312
Pakistan Stock Exchange Limited	415,453	9,268,756	(1,390,313)	7,878,443
Power Cement Limited	41,000	394,010	(59,102)	334,908
Searle Pakistan Limited	3,500	849,170	(127,376)	721,794
Shell Pakistan Limited	35,500	6,219,600	(932,940)	5,286,660
Silk Bank Limited	57,000,000	114,570,000	(17,185,500)	97,384,500
Sui Southern Gas Company Limited	295,000	3,923,500	(588,525)	3,334,975
Summit Bank Limited	67,922,946	158,260,464	(23,739,070)	134,521,394
The Bank of Punjab	277,500	2,331,000	(349,650)	1,981,350
The Crescent Textile Mills Limited	446,500	12,184,985	(1,827,748)	10,357,237
The Searle Company Limited	1,150	279,013	(41,852)	237,161
TRG Pakistan Limited	7,108,562	1,182,367,117	(177,355,068)	1,005,012,049
Unity Foods Limited	163,500	7,279,020	(1,091,853)	6,187,167
Worldcall Telecom Limited	650,000	2,574,000	(386,100)	2,187,900
		<u>1,850,459,389</u>	<u>(277,568,915)</u>	<u>1,572,890,484</u>

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(vi) SECURITIES PURCHASED FOR CLIENTS

These amount represents to the lower of value of securities appearing in the clients respective sub account to the extent of overdue balance for more than 14 days or value of investments.

(vii) TRADE PAYABLES

This represents balance payable against trading of shares less trade payable balances overdue for more than 30 days which has been included in other liabilities.

(viii) OTHER LIABILITIES

These represent current liabilities, other than trade payable which are due within 30 days. Other liabilities are stated at book value.

The breakup is as follows:

----- Rupees -----

Creditors of PMEX	6,143	
Creditors of Money Market/FX	456,511,939	
Commission payable to traders	24,395,380	
Accrued & other liabilities	27,332,462	
Current portion of liability against leased assets	385,776	
Accrued markup	93,037,387	
Short term borrowings	<u>1,636,863,225</u>	2,238,532,312

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32. Liquid Capital

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.1	Property & Equipment	40,708,394	100.00%	-
1.2	Intangible Assets	2,750,000	100.00%	-
1.3	Investment in Govt. Securities (150,000*100)	-	-	-
	Investment in Debt Securities			
	<i>If listed them:</i>			
	i. 2% of the balance sheet value in the case of tenure upto 1 year.		5.00%	-
	ii. 7.5% of the balance sheet value in the case of tenure from 1-3 years.		7.50%	-
	iii. 10% of the balance sheet value in the case of tenure of more than 3 years.		10.00%	-
	<i>If unlisted them:</i>			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.		10.00%	-
	ii. 12.5% of the balance sheet value in the case of tenure from 1-3 years.		12.50%	-
	iii. 15% of the balance sheet value in the case of tenure of more than 3 years.		15.00%	-
	Investment in Equity Securities			
1.5	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	1,385,252,999	489,140,285	1,385,122,713
	ii. If unlisted, 100% of carrying value.		100.00%	-
	iii. Subscription money against Investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.			
	Investment in PSC shares			
1.6	Investment in subsidiaries		100.00%	-
	Investment in associated companies/undertaking			
1.7	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.		-	-
	ii. If unlisted, 100% of net value.		0.00%	-
1.8	Statutory or regulatory deposits/bank deposits with the exchanges, clearing house or central depository or any other entity.	10,487,979	100.00%	-
1.9	Margin deposits with exchange and clearing house.	13,906,563	-	13,906,563
1.10	Deposit with authorized intermediary against borrowed securities under SLB.		-	-
1.11	Other deposits and prepayments	4,279,094	100.00%	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc (Nil)		-	-
	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties.		100.00%	-
1.13	Dividends receivables		-	-
1.14	Amounts receivable against Repo financing.		-	-
	Amount paid as purchaser under the REPO agreement. (<i>Securities purchased under repo arrangement shall not be included in the investments.</i>)		-	-
	Others		100.00%	-
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months.	7,197,672	-	7,197,672
	ii. Receivables other than trade receivables	79,637,662	100.00%	-
	Receivables from clearing house or securities exchange(s)			
1.16	100% value of claims other than those on account of entitlements against trading of securities in all markets including MM gains.		100.00%	-
	Claims on account of entitlements against trading of securities in all markets including MM gains.		-	-
	Receivables from customers			
	i. In case receivables are against margin financing, the aggregate of (i) value of securities held in the blocked account after applying VaR based haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut.	85,215,453	925,985	84,289,468
	ii. Lower of net balance sheet value or value determined through adjustments.		-	-
	iii. In case receivables are against margin trading, 5% of the net balance sheet value.		-	-
	ii. Not amount after deducting haircut			
	iv. In case receivables are against securities borrowings under SLB, the amount paid to NCDPL as collateral upon entering into contract.		-	-
	iii. Not amount after deducting haircut			
1.17	v. In case of other trade receivables not more than 5 days overdue, 8% of the net balance sheet value.	585,474,644	-	585,474,644
	vi. Balance sheet value			
	v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VaR based haircut, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircut.	895,601,270	425,577,305	470,023,965
	vi. Lower of net balance sheet value or value determined through adjustments			
	vi. 100% haircut in the case of amount receivable from related parties.		100.00%	-

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1.18	Cash and Bank balances			
	i. Bank balances - proprietary accounts	5,019,276	0.00%	5,019,276
	ii. Bank balances - customer accounts	308,918,983	0.00%	308,918,983
	iii. Cash in hand	5,258,825	0.00%	5,258,825
1.19	Total Assets	3,915,749,629		2,892,217,114
2. Liabilities				
2.1	Trade Payables			
	i. Payable to exchanges and clearing house		-	
	ii. Payable against leveraged market products			
	iii. Payable to customers	299,653,037	0.00%	299,653,037
2.2	Current Liabilities			
	i. Statutory and regulatory dues	5,377,688	0.00%	5,377,688
	ii. Accounts and other payables	492,893,914	0.00%	492,893,914
	iii. Short-term borrowings	1,729,900,642	0.00%	1,729,900,642
	iv. Current portion of subordinated loans		-	
	v. Current portion of long-term facilities		-	
	vi. Deferred Liabilities		-	
	vii. Provision for bad debts		-	
	viii. Provision for taxation	10,914,625	-	10,914,625
	ix. Other liabilities as per accounting principles and included in the financial statements		-	
2.3	Non-Current Liabilities			
	i. Long-Term financing		100.00%	-
	ii. Long-Term financing obtained from financial institutions: Long term portion of financing obtained from a financial institution including amount due against finance lease	202,385,276	100.00%	-
	iii. Other long-term liabilities	124,421,222	100.00%	-
	iv. Staff retirement benefits	30,218,000	0.00%	30,218,000
	iii. Advance against shares for increase in Capital of Securities broker:			
	100% haircut may be allowed in respect of advance against shares if:			
	a. The existing authorized share capital allows the proposed enhanced share capital			
	b. 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.			
	ix. Other liabilities as per accounting principles and included in the financial statements		-	
2.4	Subordinated Loans			
	i. 100% of Subordinated loans which fulfil the condition specified by SECP are allowed to be deducted:			
	The Schedule III provides that 100% haircut will be allowed against subordinated loans which fulfil the conditions specified by SECP. In this regard, following conditions are specified:			
	a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period.			
	b. No haircut will be allowed against short-term portion which is repayable within next 12 months.			
	c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to regulator.			
2.5	Total Liabilities	2,892,661,872		2,068,824,874
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 financers exceed 10% of the aggregate of amounts receivable from total financers.	44,674,793	100%	44,674,793
3.2	Concentration in securities lending and borrowing			
	The amount by which the aggregate of: (i) Amount deposited by the borrower with NCDPL (ii) Cash margins paid and (iii) The market value of securities pledged as margin exceed the 110% of the market value of shares borrowed.			
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.			
	(b) In any other case: 12.5% of the net underwriting commitments.			
3.4	Negative equity of subsidiary			
3.5	Foreign exchange agreements and foreign currency positions			
	5% of the net position in foreign currency. Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency.			
3.6	Amount Payable under REPO			

Repo adjustment				
3.7	In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities.			
	In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.			
Concentrated proprietary positions				
3.8	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.	118,236,712	100%	118,236,712
Opening Positions in futures and options				
3.9	i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/pledged with securities exchange after applying Vail haircut.			
	ii. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met.			
Short sell positions				
3.10	i. In case of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the Vail based haircut less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAB based haircut.			
	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 VAB based haircut less the value of securities pledged as collateral after applying haircut.			
3.11 Total Ranking Liabilities		162,911,504		162,911,504
				160,445,736

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32. SHARES OF CLIENTS APPEARING IN CDC HOUSE ACCOUNT

2021		
Shares appearing in CDC House A/C	Shares of the Company	Shares of the clients held by the Company
No. of shares		
AKD Capital Limited	200,000	200,000
TRG Pakistan Limited	7,110,118	1,556
	7,310,118	201,556
2020		
Shares appearing in CDC House A/C	Shares of the Company	Shares of the clients held by the Company
No. of shares		
AKD Capital Limited	200,000	200,000
TRG Pakistan Limited	10,984,225	1,556
	11,184,225	201,556

33. BALANCES WITH RELATED PARTIES

Related parties comprise directors and their close family members, major shareholders of the Company, key management personnel and other companies under common management. Transactions with related parties are on arm's length. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment. Remuneration of chief executive, directors and executives are disclosed in note 26 to these financial statements. Receivables from related parties are disclosed in note 17.5 to these financial statements.

34. OPERATING SEGMENTS

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

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

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

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

All non-current assets of the Company as at June 30, 2021 are located in Pakistan.

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

At present, the company employs 5 members (2020: 3) in its research department including one Head of Research, three Analysts and one Database Officer. All members report to Head of Research who in turn reports to CEO.

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

During the year ended 30 June 2021, the personnel employed in the Research Department have drawn an aggregate salary and benefits amounting to Rs. 5.72 million (2020: Rs. 2.51 million), which comprises basic salary, medical allowances, gratuity and other benefits as per Company policy.

36. GENERAL

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

37. AUTHORIZATION FOR ISSUANCE

These financial statements have been authorized for issue by the Board of Directors of the Company on 16 OCT 2021

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Tarah
Chief Executive


Director