

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

## DIRECTORS' REPORT

On behalf of the Board of Directors of the Company, I am pleased to present our report together with the audited financial statement of the Company for the year June 30, 2020.

### Performance Overview

The following depicts the Company's performance in the current year.

	<b>Rupees</b>
Operating revenue	5,599,223
Operating expenses	(14,085,610)
Operating loss	<b>(8,486,386)</b>
Other charges	-
Other income	9,203,145
<b>Profit before taxation</b>	<b>716,758</b>
Taxation	(238,914)
<b>Profit after taxation</b>	<b>477,844</b>

### Earnings per share

Earnings per share for the year ended 30th June 2020 was Rs. **0.02**

### Capital Market Review & Outlook

Pakistan's equities market performance remained extremely volatile during the year under review influenced by various domestic and exogenous factors. The year started with the KSE 100 Index nose diving to 28,765 level due to hike in interest rates and other macroeconomic challenges as the country came under the IMF EFF program with stiff fiscal targets. With expectations of interest rates having peaked-out and attractive valuations, the market regained momentum by January 2020, the KSE100 Index made a peak at 43,219. With the global pandemic spread and confirmation of first few cases of COVID-19 in Pakistan, the benchmark KSE100 Index nose-dived again but this time to a lower low of 27,229 level. Aggressive measures by the Government of Pakistan and the State Bank of Pakistan to counter negative economic impacts of the pandemic and the subsequent lockdown including reduction in interest rates and the construction package regained momentum and the KSE100 Index closed the year at 34,422. Average volumes during the year improved by 26% whereas average daily value traded also improved by 13% as a result of increased liquidity and relative attractiveness of the domestic equities market of Pakistan.

Moreover, lower inflation and interest rates are likely to keep the equities market in limelight with improved earnings growth outlook.

### Dividend:

The Directors do not recommended any dividend during the year due to cash flow requirement during next financial year.

### External Auditors

The retiring auditors, M/s. Nasir Javaid Maqsood Imran., Chartered Accountants, being eligible, have offered themselves for reappointment

Dated:

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Director

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Chief Executive

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

	Note	Rupees 2020	Rupees 2019
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property & equipment	4	1,536,311	1,807,519
Intangible assets	5	2,500,000	2,500,000
Long term investment <i>at fair value through other comprehensive income</i>	6	-	14,055,522
Long term advances & deposits	7	5,706,000	3,606,000
		9,742,311	21,969,041
<b>CURRENT ASSETS</b>			
Short term investment	8	15,869,235	6,782,867
Trade receivables	9	2,482,884	19,005,001
Advances, deposits, pre-payments & other receivables	10	41,735,006	58,310,102
Cash & bank balances	11	48,601,266	3,901,856
		108,688,391	87,999,826
<b>TOTAL ASSETS</b>		<b>118,430,702</b>	<b>109,968,867</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
<b>Authorized Capital</b>			
30,000,000 (2019: 30,000,000) ordinary shares of Rs. 10/- each		300,000,000	300,000,000
Issued, subscribed and paid-up capital	12	200,004,000	200,004,000
Reserves		(96,711,529)	(93,837,672)
		103,292,471	106,166,328
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables		12,618,519	3,444,643
Accrued expenses & other liabilities	13	2,519,713	357,897
		15,138,232	3,802,540
<b>CONTINGENCIES AND COMMITMENTS</b>	14	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>118,430,702</b>	<b>109,968,867</b>

*The annexed notes from 1 to 31 form an integral part of these financial statements.*

Chief Executive

Director

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

	Note	Rupees 2020	Rupees 2019
<b>REVENUE</b>			
Operating revenue	15	7,222,525	13,088,880
Capital gain / (loss) on sale of securities		30,229	(15)
Unrealised loss on remeasurement of investment at fair value - through profit or loss		(1,653,531)	(3,521,859)
		5,599,223	9,567,007
Administrative expenses	16	(14,072,835)	(39,912,342)
Finance cost	17	(12,775)	(10,075)
		(14,085,610)	(39,922,417)
<b>Operating loss</b>		<b>(8,486,386)</b>	<b>(30,355,410)</b>
<b>Other income</b>	18	<b>9,203,145</b>	<b>6,582,407</b>
<b>Profit / (loss) before taxation</b>		<b>716,758</b>	<b>(23,773,002)</b>
<b>Taxation</b>	19	<b>(238,914)</b>	<b>(560,487)</b>
<b>Profit / (loss) after taxation</b>		<b>477,844</b>	<b>(24,333,489)</b>
<b>Earnings / (loss) per share - basic and diluted</b>	20	<b>0.02</b>	<b>(1.22)</b>

*The annexed notes from 1 to 31 form an integral part of these financial statements.*

Chief Executive

Director

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

Note	Rupees 2020	Rupees 2019
<b>Profit / (loss) after taxation</b>	477,844	(24,333,489)
<b><u>Other comprehensive loss for the year</u></b>		
<b>Items that will not be reclassified to statement of profit or loss subsequently</b>		
Unrealised loss on remeasurement of investment - At fair value - through other comprehensive income	(3,351,701)	(7,298,060)
<b>Total comprehensive loss for the year</b>	<b><u>(2,873,857)</u></b>	<b><u>(31,631,549)</u></b>

*The annexed notes from 1 to 31 form an integral part of these financial statements.*

**Chief Executive**

**Director**

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

Note	Rupees 2020	Rupees 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	716,758	(23,773,002)
<b>Add / (less) : Items not involved in movement of fund:</b>		
Depreciation	285,923	340,130
Capital (gain) / loss on sale of securities	(30,229)	15
Unrealised loss on remeasurement of investment at fair value - through profit or loss	1,653,531	3,521,859
Finance costs	12,775	10,075
	1,922,000	3,872,079
Cash generated from / (used in) operating activities before working capital changes	<b>2,638,759</b>	<b>(19,900,923)</b>
<b>Net change in working capital</b>	<b>(a) 44,701,769</b>	<b>2,236,628</b>
	<b>47,340,527</b>	<b>(17,664,295)</b>
Finance costs paid	(12,775)	(10,075)
Taxes paid	(513,627)	(3,286,325)
<b>Net cash generated from / (used in) operating activities</b>	<b>46,814,125</b>	<b>(20,960,695)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(14,715)	(102,400)
Long term advances & deposits	(2,100,000)	(2,000,000)
<b>Net cash used in investing activities</b>	<b>(2,114,715)</b>	<b>(2,102,400)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>44,699,410</b>	<b>(23,063,095)</b>
Cash and cash equivalent at beginning of the year	3,901,856	26,964,951
<b>Cash and cash equivalent at end of the year</b>	<b>11 48,601,266</b>	<b>3,901,856</b>
<b>(a) Statement of change in working capital</b>		
<b>(Increase) / decrease in current assets</b>		
Trade receivables	16,522,118	16,486,471
Short term investment	(5,849)	-
Advances, deposits, pre-payments & other receivables	16,849,808	7,755,164
	<b>33,366,076</b>	<b>24,241,635</b>
<b>Increase / (decrease) in current liabilities</b>		
Trade payables	9,173,876	(21,680,806)
Accrued expenses & other liabilities	2,161,817	(324,201)
	<b>11,335,692</b>	<b>(22,005,007)</b>
<b>Net change in working capital</b>	<b>44,701,769</b>	<b>2,236,628</b>

*The annexed notes from 1 to 31 form an integral part of these financial statements.*

Chief Executive

Director

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

	<b>Reserves</b>				<b>Total</b>
	<b>Issued, subscribed &amp; paid up capital</b>	<b>Unappropriated loss</b>	<b>Unrealised gain on remeasurement of investment at fair value-through other comprehensive income</b>	<b>Sub Total</b>	
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	
<b>Balance as at June 30, 2018</b>	<b>200,004,000</b>	<b>(72,747,766)</b>	<b>10,541,642</b>	<b>(62,206,124)</b>	<b>137,797,876</b>
Loss for the year	-	(24,333,489)	-	(24,333,489)	-
Loss on remeasurement of investment at fair value - through other comprehensive income	-	-	(7,298,060)	(7,298,060)	(7,298,060)
<b>Balance as at June 30, 2019</b>	<b>200,004,000</b>	<b>(97,081,255)</b>	<b>3,243,582</b>	<b>(93,837,672)</b>	<b>106,166,328</b>
Profit for the year	-	477,844	-	477,844	477,844
Loss on remeasurement of investment at fair value - through other comprehensive income	-	-	(3,351,701)	(3,351,701)	(3,351,701)
<b>Balance as at June 30, 2020</b>	<b>200,004,000</b>	<b>(96,603,411)</b>	<b>(108,119)</b>	<b>(96,711,529)</b>	<b>103,292,471</b>

*The annexed notes from 1 to 31 form an integral part of these financial statements.*

Chief Executive

Director

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**1 CORPORATE AND GENERAL INFORMATION**

**1.1 Legal status and operations**

Investment Managers Securities (Private) Limited is a private limited company incorporated under the Companies Ordinance, 1984 on August 31, 2006. The registered office situated at Suite # 308, 3rd Floor, Continental Trade Centre, Block-8, Clifton, Karachi. The Company is a Trading Right Entitlement Certificate Holder of the Pakistan Stock Exchange Limited and is engaged in the business of Stock brokerage and investment.

**1.2 Impact of COVID-19 pandemic**

A novel strain of corona virus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on 11 March 2020, impacting countries globally including Pakistan. Government of Pakistan has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown and disruptions to various business. The lockdown however excluded companies involved in the business of supplying necessary consumer goods and rendering essential services. As of the release date of these financial statements, there has been no specifically material quantifiable impact of COVID-19 on the Company's financial condition or results of operations.

**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 such International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 (the Act), and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed. Preparation of financial statements also include disclosure required by Securities Brokers (Licensing and Operations) Regulations, 2016.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except for derivatives and investments. Statement of cash flow has been presented on cash basis.

**2.3 Functional and presentation currency**

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

**2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with approved financial reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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



**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**2.5 New or Amendments / interpretations to existing standards, interpretation and forth coming requirements:**

There are new and amended standards and interpretations that are mandatory for accounting periods beginning July 01, 2019 other than those disclosed in note 3.1, are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

**2.6 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:**

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after July 01, 2020.

- i) Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- ii) Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- iii) On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- iv) Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

- v) Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.
- vi) Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- vii) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- viii) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**Annual Improvements to IFRS standards 2018-2020:**

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- i) IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- ii) IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- iii) IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above improvements to standards are not likely to have material / significant impact on Company's financial statements.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 IFRS 16 'Leases'**

IFRS 16 has been notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the previous guidance in IAS 17 'Leases', IFRIC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC Interpretation 15 Operating Leases—Incentives and SIC Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single on-balance sheet lease accounting model for lessees whereby, at the date of commencement of lease, a lessee is required to recognize a right-of-use asset and a lease liability (except in case short term leases and leases of low value assets). The right-of-use asset represents the lessee's right to use an underlying asset during the lease term and the corresponding lease liability represents the lessee's obligation to make payments to the lessor for providing the right to use that asset. In the IASB's view, this new lessee accounting model reflects the economics of a lease because, at the commencement date, a lessee obtains the right to use an underlying asset for a period of time, and the lessor had delivered that right by making the asset available for use by the lessee.

The aforesaid new accounting model materially differs from the previous lease accounting requirements for lessees whereby a lessee was required to classify its leases either as finance leases or operating leases based on whether the risks and rewards incidental to ownership were substantially transferred to the lessee. Under the previous standard, at the commencement of the lease term, the lessee recognized finance leases as assets and liabilities in its statement of financial position. However, the lessee recognized the payments made under operating leases as an expense on a straight line basis over the lease term unless another systematic basis was more representative of the time pattern of the user's benefit.

The Company does not have any lease arrangement therefore, adoption of IFRS 16 at July 01, 2019 does not have an effect on the financial statements of the Company.

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**3.2 Property and equipment**

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset including borrowing costs.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the carrying amount as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit and loss account during the year in which they are incurred.

Disposal of an item of property, plant and equipment is recognized when significant risks and rewards incidental to ownership have been transferred. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized within 'Other operating expenses/income in the profit and loss account.

Depreciation is charged to profit and loss account applying the reducing balance method. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation on additions is charged from the month in which the assets become available for use, while no depreciation is charged in the month of disposal.

**3.3 Intangible assets**

Intangible assets having definite useful life are stated at cost less accumulated amortization and impairment losses, if any however, Intangible assets having indefinite life are stated at cost less impairment losses, if any.

Subsequent cost is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization is charged to the statement of profit or loss using reducing balance method over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged in the month in which the asset is disposed off.

All intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Where the carrying amount of an asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount. The carrying amount of other intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist than the assets recoverable amount is estimated. The recoverable amount is the greater of its value and fair value less cost to sell.

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**3.3.1 Trading Right Entitlement Certificate**

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

**3.3.2 Pakistan Mercantile Exchange - Membership card**

Membership card represents corporate membership of Pakistan Mercantile Exchange with indefinite useful life. This is stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether this is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, this is written down to its estimated recoverable amount.

**3.3.3 Computer software**

Expenditure incurred to acquire identifiable computer software and having probable economic benefits exceeding the cost beyond one year, is recognized as an intangible asset. Such expenditure includes the purchase cost of software (license fee) and related overhead cost.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

Computer software and license costs are stated at cost less accumulated amortization and any identified impairment loss and amortized through reducing balance method.

**3.4 Investment property**

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

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

**3.5 Financial Instruments**

**3.5.1 Initial Measurement of financial assets**

The Company classifies its financial assets in to following three categories:

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

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

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**Subsequent Measurement**

Debt Investments at FVOCI	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified the statement of profit or loss account.
Equity Investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss account.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in statement profit or loss account.
Financial assets measured at amortized cost	These assets are subsequently measured at authorized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss account.

**3.5.2 Financial liabilities**

Financial liabilities are classified as measured at amortized cost or 'At Fair Value - Through Profit or Loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

**3.6 Impairment**

**3.6.1 Financial assets**

The Company recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost.

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

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

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

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

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

The Company assumes that the credit risk on a financial assets has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

### **3.6.2 Impairment of non-financial assets**

The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any objective evidence that an assets or group of assets may be impaired. If any such evidence exists, the asset's or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value less cost to sell. Impairment losses are recognized to the statement of profit or loss.

## **3.7 Derecognition**

### **3.7.1 Financial assets**

The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfer the financial assets and substantially all the associated risks and reward of ownership to another entity. On derecognition of financial assets measured at amortized cost, the difference between the assets carrying value and the sum of the consideration received and receivable recognised in statement of 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 reclassified to statement of 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 statement of profit or loss, but is transferred to statement of changes in equity.

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**3.7.2 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 liabilities derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in statement of profit or loss.

**3.8 Investments**

Investment in shares of listed companies are classified as "At Fair Value - Through Profit or Loss" and is initially measured at cost and subsequently is measured at fair value determined using the market value at each reporting date. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Net gains and losses are recognized in statement profit or loss.

**3.9 Settlement date accounting**

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognized at the settlement date. Trade date is the date on which the Company commits to purchase or sale an asset.

**3.10 Off-setting of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount is reported in the financial statements if, and only if, there is a legally enforceable right to offset the recognized amounts and there is an intention either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

**3.11 Trade debts and other receivables**

Trade debts and other receivables are recognized at fair value and subsequently measured at amortized cost. A provision for impairment in trade debts and other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables. Trade debts and other receivables considered irrecoverable are written off. Actual credit loss experience over past years is used to base the calculation of expected credit loss (ECL) Trade Receivables in respect of securities sold on behalf of client are recorded at settlement date of transaction.

**3.12 Fiduciary assets**

Assets held in trust or in a fiduciary capacity by the company are not treated as assets of the Company and accordingly are not included in these financial statements.

**3.13 Cash and cash equivalents**

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**3.14 Share capital**

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**3.15 Proposed dividend and transfer between reserves**

Dividends declared and transfers between reserves, except appropriations which are required by law, made subsequent to the reporting date are considered as non-adjusting events and are recognized in the financial statements in the period in which such dividends and transfers are approved.



**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**3.16 Trade and other payables**

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method. Trade payables in respect of securities purchased are recorded at settlement date of transaction.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

**3.17 Taxation**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of profit or loss, except to the extent that it relates to items recognised directly in equity or in statement of comprehensive income, in which case it is recognised in equity or in statement of comprehensive income respectively.

**i) Current**

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

**ii) Deferred**

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

**3.18 Provisions**

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

**3.19 Foreign currency transactions and translation**

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

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**3.20 Revenue recognition**

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

- Brokerage, consultancy, advisory fee and commission etc. are recognized as and when such services are provided.
- Income from bank deposits, reverse repo and margin deposits is recognized at effective yield on time proportion basis.
- Dividend income is recorded when the right to receive the dividend is established.
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Unrealized capital gains / (losses) arising from mark to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in profit and loss account for the period in which they arise.
- Rental income from investment properties is recognized on accrual basis.
- Other/miscellaneous income is recognized on receipt basis.
- Income on financial assets (including margin financing) is recognised on time proportionate basis taking into account effective / agreed rate of the instrument.
- Unrealised gains / (losses) arising from mark to market of investments classified as 'available for sale' are taken directly to other comprehensive income.
- Gains / (losses) arising on revaluation of derivatives to fair value are taken to profit and loss account under other income / other expenses.

**3.21 Operating and administrative expenses**

These expenses are recognized in statement of profit or loss upon utilization of the services or as incurred except for specifically stated in the financial statements.

**3.22 Mark-up bearing borrowings and borrowing costs**

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

Borrowing costs are recognised as an expense in the period in which these are incurred, except to the extent that they are directly attributable to the acquisition or construction of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) in which case these are capitalised as part of cost of that asset.

**3.23 Earnings per share**

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**4 PROPERTY AND EQUIPMENT**

	<b>Office equipments</b>	<b>Computer equipments</b>	<b>Furniture &amp; fixtures</b>	<b>Total</b>
	<i>(Rupees)</i>	<i>(Rupees)</i>	<i>(Rupees)</i>	<i>(Rupees)</i>
<b><u>Net carrying value basis</u></b>				
<b>Year ended June 30, 2020</b>				
Opening net book value (NBV)	400,118	83,921	1,323,479	<b>1,807,519</b>
Additions (at cost)	14,715	-	-	<b>14,715</b>
Disposals (at NBV)	-	-	-	-
Depreciation charge	(62,225)	(25,176)	(198,522)	<b>(285,923)</b>
Closing net book value (NBV)	<b>352,608</b>	<b>58,745</b>	<b>1,124,957</b>	<b>1,536,311</b>
<b><u>Gross carrying value basis</u></b>				
<b>As at June 30, 2020</b>				
Cost	1,112,815	1,102,306	3,311,875	<b>5,526,996</b>
Accumulated depreciation	(760,207)	(1,043,561)	(2,186,918)	<b>(3,990,686)</b>
<b>Net book value (NBV)</b>	<b>352,608</b>	<b>58,745</b>	<b>1,124,957</b>	<b>1,536,311</b>
<b><u>Net carrying value basis</u></b>				
<b>Year ended June 30, 2019</b>				
Opening net book value (NBV)	378,927	109,287	1,557,034	<b>2,045,249</b>
Additions (at cost)	91,800	10,600	-	<b>102,400</b>
Disposals (at NBV)	-	-	-	-
Depreciation charge	(70,609)	(35,966)	(233,555)	<b>(340,130)</b>
Closing net book value (NBV)	<b>400,118</b>	<b>83,921</b>	<b>1,323,479</b>	<b>1,807,519</b>
<b><u>Gross carrying value basis</u></b>				
<b>As at June 30, 2019</b>				
Cost	1,098,100	1,102,306	3,311,875	<b>5,512,281</b>
Accumulated depreciation	(697,982)	(1,018,385)	(1,988,396)	<b>(3,704,763)</b>
<b>Net book value (NBV)</b>	<b>400,118</b>	<b>83,921</b>	<b>1,323,479</b>	<b>1,807,519</b>
<b>Depreciation rates (%)</b>	<b>15</b>	<b>30</b>	<b>15</b>	

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

Notes	Rupees 2020	Rupees 2019
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**5 INTANGIBLE ASSET**

Trading Right Entitlement Certificate - Pakistan Stock Exchange Limited	5.1	<u>2,500,000</u>	<u>2,500,000</u>
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- 5.1** This represents Trading Right Entitlement Certificate (TREC) received from Pakistan Stock Exchange Limited (PSX) in accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. TREC has been recognized at cost less accumulated impairment losses.

**6 LONG TERM INVESTMENT**

**Quoted**

**At fair value through other comprehensive income**

Investment in shares of Pakistan Stock Exchange Limited	6.1	14,055,522	21,353,582
Transfer to short term investment	6.2	(14,055,522)	-
		-	<b>21,353,582</b>
Loss on remeasurement of investment at fair value - through other comprehensive income		-	(7,298,060)
		-	<u><b>14,055,522</b></u>

- 6.1** This represents the investment in ordinary shares of Pakistan Stock Exchange Limited (PSX) received by the Company in pursuance of the promulgation of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012.

- 6.2** On August 2019, 1,081,194 ordinary shares of Pakistan Stock Exchange Limited (PSX) previously marked as frozen by the Central Depository Company of Pakistan Limited (CDC) were un-frozen and re-classified as 'available' in its Account Balance Report. Since, as of June 30, 2020, the Company intended to dispose of the investment in due course of time, it was re-classified as a short term investment.

**7 LONG TERM DEPOSITS**

Pakistan Stock Exchange Limited	300,000	300,000
National Clearing Company of Pakistan Limited	1,200,000	1,200,000
Central Depository Company of Pakistan Limited	100,000	100,000
Other deposits	6,000	6,000
Base minimum Capital	4,100,000	2,000,000
	<u><b>5,706,000</b></u>	<u><b>3,606,000</b></u>

**8 SHORT TERM INVESTMENT**

***Investments at fair values through profit & loss***

Shares of Pakistan Stock Exchange Limited	6,818,945	10,304,726	
Unrealised loss on remeasurement of investment at fair value - through profit or loss	(1,653,531)	(3,521,859)	
<b>Market value</b>	<b>8.1</b>	<u><b>5,165,414</b></u>	<u><b>6,782,867</b></u>

***Investments at fair values through other comprehensive income***

Shares of Pakistan Stock Exchange Limited	14,055,522	-	
Unrealised loss on remeasurement of investment	(3,351,701)	-	
<b>Market value</b>	<b>8.2</b>	<u><b>10,703,821</b></u>	<u><b>-</b></u>

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**8.1 Investments at fair values through profit & loss**

2020	2019	Symbol	Name of Investee	2020	2019
<i>Number of shares</i>				<i>Market value in rupees</i>	
521,759	521,759	PSX	PAKISTAN STOCK EXCHANGE LIMITED	5,165,414	6,782,867
<b>521,759</b>		<b>TOTAL</b>		<b>5,165,414</b>	<b>6,782,867</b>

**8.2 Investments at fair values through other comprehensive income**

2020	2019	Symbol	Name of Investee	2020	2019
<i>Number of shares</i>				<i>Market value in Rupees</i>	
1,081,194	-	PSX	PAKISTAN STOCK EXCHANGE LIMITED	10,703,821	-
<b>1,081,194</b>		<b>TOTAL</b>		<b>10,703,821</b>	<b>-</b>
<b>1,602,953</b>		<b>GRAND TOTAL</b>		<b>15,869,235</b>	<b>6,782,867</b>

**8.3** Shares having market value of **Rs. 15,869,235/-** /- (**2019: 3,250,000/-**) are pledged as security with PSX and NCCPL for the purpose of base minimum capital and exposure requirements.

Notes	Rupees 2020	Rupees 2019
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**9 TRADE RECEIVABLES**

Considered good  
Considered doubtful

Allowance for expected credit loss

From clearing house

	19,331,210	33,004,124
	-	-
	<b>19,331,210</b>	<b>33,004,124</b>
<b>9.1</b>	(18,161,176)	(20,898,777)
	<b>1,170,034</b>	<b>12,105,347</b>
	<b>1,312,850</b>	<b>6,899,654</b>
	<b>2,482,884</b>	<b>19,005,001</b>

**9.1 Allowance for expected credit loss**

Opening balance  
Reversal / allowance for expected credit loss  
Closing balance

	20,898,777	-
<b>9.1.1</b>	(2,737,601)	20,898,777
	<b>18,161,176</b>	<b>20,898,777</b>

**9.1.1 Aging analysis**

Upto 90 days  
More than 90 but upto 180 days  
More than 180 but upto 360 days  
More than 360 days

	6,420,099	20,042,930
	164,742	247,698
	110,911	316,522
	12,635,458	12,397,828
	<b>19,331,210</b>	<b>33,004,978</b>

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

9.2 Due from related parties which are not impaired and their maximum amount outstanding at any time during the year calculated with reference to month end balances are as follows:

Name of related party	Amount due		Maximum amount outstanding at any time during the year	
	2020	2019	2020	2019
	-----Rupees-----			
Osama Abdul Ghani	-	790,167	-	12,399,509
Abdul Qadir	-	4,364,330	-	17,986,809
Kanwal Bano	5,655,264	10,144,356	15,510,507	7,395,855
	<b>5,655,264</b>	<b>15,298,853</b>	<b>15,510,507</b>	<b>37,782,172</b>

**9.2.1 Aging analysis - related party**

Name of	1 - 90 days	91 - 180 days	181 - 360 days	More than 360	Total gross
		-----Rupees-----			
Kanwal Bano	5,655,264	-	-	-	5,655,264
	<b>5,655,264</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,655,264</b>

9.2 Total value of securities pertaining to clients held in the Central Depository Company	<b>229,940,336</b>	<b>180,118,867</b>
9.3 Value of pledge securities of clients with National Clearing Company of Pakistan Ltd	<b>18,060,000</b>	<b>-</b>
9.4 Value of pledge securities of clients with Financial institutions	<b>-</b>	<b>-</b>
9.5 <i>The securities are valued using market rate at the year end</i>		

9.6 Allowance for expected credit loss is calculated on the basis of aging analysis more than 360 days and unsecured balances which ever is higher.

**10 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

Exposure deposit	22,109,980	38,609,980
Advance payment of tax	19,061,340	18,786,627
Advance to staff	480,830	255,830
Advance to others	-	44,964
Other receivables	82,856	612,701
	<b>41,735,006</b>	<b>58,310,102</b>

10.1

10.1 This represents deposit with National Clearing Company of Pakistan Limited against the exposure margin in respect of trade in future and ready market.

**11 CASH AND BANK BALANCES**

Cash in hand	10,000	10,000
Cash at Bank		
<i>in savings accounts</i>	-	-
<i>in current accounts</i>	48,591,266	3,891,856
	<b>48,601,266</b>	<b>3,901,856</b>

11.1 & 11.2

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

Notes	Rupees 2020	Rupees 2019
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**11.1** The return on these balances is 7% to 11% (2019: 5% to 9% ) per annum on daily product basis.

**11.2 Bank balance pertains to:**

Clients	13,015,615	3,491,651
Brokerage House	35,575,651	400,205
	<b>48,591,266</b>	<b>3,891,856</b>

**12 ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

Number of shares

2020	2019
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11,000,400	11,000,400	Ordinary shares of Rs. 10 each fully paid in cash	110,004,000	110,004,000
9,000,000	9,000,000	Ordinary shares of Rs. 10 each issued for consideration other than in cash.	90,000,000	90,000,000
<b>20,000,400</b>	<b>20,000,400</b>		<b>200,004,000</b>	<b>200,004,000</b>

**12.1** The shareholders are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the Company. All shares carry "one vote" per share without restriction.

**13 ACCRUED EXPENSES & OTHER LIABILITIES**

Accrued expenses	128,710	337,890
Other liabilities	292,356	20,007
Dealer commission payable	2,024,000	-
Sindh Sales tax payable	74,647	-
	<b>2,519,713</b>	<b>357,897</b>

**14 CONTINGENCIES AND COMMITMENTS**

**14.1** There are no contingencies and commitments as at June 30, 2020 (June 30, 2019: nil)

**15 OPERATING REVENUE**

Brokerage Commission including sales tax on services	8,161,453	14,712,467
Less: Sales tax on services	(938,928)	(1,623,587)
Net brokerage commission excluding sales tax on services	<b>7,222,525</b>	<b>13,088,880</b>
	<b>7,222,525</b>	<b>13,088,880</b>

**15.1 Brokerage Income - net of sales tax**

**Equity brokerage**

- Institutional clients	1,937,713	1,171,661
- Retail clients	5,284,813	11,917,219
	<b>7,222,525</b>	<b>13,088,880</b>

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

Notes	Rupees 2020	Rupees 2019
<b>16 ADMINISTRATIVE EXPENSES</b>		
Directors' remuneration	2,700,000	4,800,000
Salaries, wages and other benefits	2,196,950	2,317,550
Rent, rates and taxes	670,256	501,868
Repair and maintenance	244,695	648,756
Telephone and communication charges	174,124	129,307
Service and transaction charges	2,133,053	1,817,323
Utility charges	263,193	255,027
Computer, software and I.T.expenses	373,920	439,894
Entertainment	499,915	501,580
Dealers' expenses & benefits	3,626,704	6,431,469
Fees and subscriptions	184,570	158,450
Postage and courier	3,730	2,250
Printing and stationery	61,740	93,240
Vehicle running and travelling	157,760	175,580
Generator expenses	12,725	30,677
Auditors' remuneration	285,000	230,000
Allowance for expected credit loss	-	20,898,777
Depreciation	285,923	340,130
Other expenses	198,577	140,464
	<b>14,072,835</b>	<b>39,912,342</b>

**16.1 Remuneration of Chief Executive and Director**

	2020			2019		
	Chief Executive	Directors	Executive	Chief Executive	Directors	Executive
Managerial remuneration	-	2,700,000	-	1,200,000	3,600,000	
Medical allowance	-	-	-	-	-	
Fees	-	-	-	-	-	
Bonus	-	-	-	-	-	
Housing and utilities	-	-	-	-	-	
	-	<b>2,700,000</b>	-	<b>1,200,000</b>	<b>3,600,000</b>	-
Number of persons (including those who worked part of the year)	<b>1</b>	<b>3</b>		<b>1</b>	<b>3</b>	

**16.2 Auditors' remuneration**

**Audit services**

Annual audit fee	110,000	110,000
Certifications	95,000	70,000
	<b>205,000</b>	<b>180,000</b>

**Non-audit services**

Other services	80,000	50,000
	<b>80,000</b>	<b>50,000</b>
	<b>285,000</b>	<b>230,000</b>

**17 FINANCE COST**

Bank charges	12,775	10,075
	<b>12,775</b>	<b>10,075</b>



**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

Notes	Rupees 2020	Rupees 2019
<b>18</b>		
<b><u>OTHER INCOME</u></b>		
<b>From financial assets</b>		
Profit on exposure deposit	2,921,430	3,333,818
Profit on savings accounts	2,214,859	2,705,961
	<b>5,136,288</b>	<b>6,039,779</b>
<b>From non-financial assets</b>		
Cost recoveries	1,329,256	542,628
Reversal of expected credit loss	2,737,601	-
	<b>4,066,857</b>	<b>542,628</b>
	<b>9,203,145</b>	<b>6,582,407</b>
<b>19</b>		
<b><u>TAXATION</u></b>		
Current	238,914	560,487
Prior	-	-
	<b>238,914</b>	<b>560,487</b>
<b>19.1</b>		
<b><u>Relationship between income tax expense and accounting profit</u></b>		
Profit / (loss) before taxation	<b>716,758</b>	<b>(23,773,002)</b>
Tax at the applicable tax rate of 29% (2019: 29%)	207,860	(6,894,171)
Tax effect of income taxed at lower tax rates	(40,119)	(497,496)
Effect of minimum tax	(3,764,219)	49,434
Tax effect of prior year	-	-
Tax effect of exempt income	(793,904)	-
Tax effect of non deductible expenses	4,084,827	6,881,381
Others	544,470	1,021,339
	<b>238,914</b>	<b>560,487</b>
<b>19.2</b>		
The income tax returns of the Company have been filed up to tax year 2019 under the Universal Self Assessment Scheme. This scheme provides that the return filed is deemed to be an assessment order. The returns may be selected for audit within five years. The Income Tax Commissioner may amend assessment if any objection is raised during audit.		
<b>20</b>		
<b><u>EARNINGS / (LOSS) PER SHARE - BASIC &amp; DILUTED</u></b>		
<b>20.1</b>		
<b><u>Basic earnings / (loss) per share</u></b>		
Profit / (loss) after taxation	477,844	(24,333,489)
Number of shares issued up to the end of the year	20,000,400	20,000,400
	<b>0.02</b>	<b>(1.22)</b>
<b>20.2</b>		
<b><u>Diluted earnings per share</u></b>		
There is no dilutive effect on the basic earnings per share of the Company, since there are no convertible instruments in issue as at June 30, 2020 which would have any effect on the earnings per share if the option to convert is exercised.		

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**21 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

**21.1 Financial Instruments by category**

**21.1.1 Financial Assets**

<b>2020</b>				
	<b>At fair value through profit or loss</b>	<b>At fair value through other comprehensive income</b>	<b>At amortised cost</b>	<b>Total</b>
Long term investment	-	-	-	-
Long term loans, advances & deposits	-	-	5,706,000	5,706,000
Trade debts - unsecured	-	-	2,482,884	2,482,884
Short term investment	5,165,414	10,703,821	-	15,869,235
Short term deposits, advances & other receivables	-	-	41,735,006	41,735,006
Cash and bank balances	-	-	48,601,266	48,601,266
	<b>5,165,414</b>	<b>10,703,821</b>	<b>98,525,156</b>	<b>114,394,391</b>

<b>2019</b>				
	<b>At fair value through profit or loss</b>	<b>At fair value through other comprehensive income</b>	<b>At amortised cost</b>	<b>Total</b>
Long term investment	-	14,055,522	-	14,055,522
Long term loans, advances & deposits	-	-	3,606,000	3,606,000
Trade debts - unsecured	-	-	19,005,001	19,005,001
Short term investment	6,782,867	-	-	6,782,867
Short term deposits, advances & other receivables	-	-	58,310,102	58,310,102
Cash and bank balances	-	-	3,901,856	3,901,856
	<b>6,782,867</b>	<b>14,055,522</b>	<b>84,822,959</b>	<b>105,661,348</b>

**21.1.2 Financial Liabilities**

<b>2020</b>			
	<b>Amortised cost</b>	<b>At fair value through profit or loss</b>	<b>Total</b>
Trade payables	12,618,519	-	12,618,519
Accrued expenses & other liabilities	2,519,713	-	2,519,713
	<b>15,138,232</b>	<b>-</b>	<b>15,138,232</b>

<b>2019</b>			
	<b>Amortised cost</b>	<b>At fair value through profit or loss</b>	<b>Total</b>
Trade payables	3,444,643	-	3,444,643
Accrued expenses & other liabilities	357,897	-	357,897
	<b>3,802,540</b>	<b>-</b>	<b>3,802,540</b>

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**22 Financial Risk Management**

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:

- Market Risk
- Liquidity Risk
- Credit Risk
- Operational Risk

**22.1 Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

**(i) Interest rate risk**

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Company is not exposed to such.

**(ii) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Company does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

**(iii) Equity price risk**

Equity price risk is the risk of volatility in share price resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. Management of the Company estimates that a 10% increase in the overall equity prices in the market with all other factors remaining constant would increase the Company's profit by **Rs. 1,586,924/-** and a 10% decrease would result in a decrease in the Company's profit by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

**22.2 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet comments 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 options 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.

<b>2020</b>					
<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Six month or less</b>	<b>Six to twelve months</b>	<b>One to two years</b>	<b>Two to five years</b>
----- (Rupees) -----					
<b>Financial liabilities</b>					
Trade payables	12,618,519	12,618,519	12,618,519	-	-
Accrued expenses & other liabi	2,519,713	2,519,713	2,519,713	-	-
	<b>15,138,232</b>	<b>15,138,232</b>	<b>15,138,232</b>	<b>-</b>	<b>-</b>

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**2019**

Carrying amount	Contractual cash flows	Six month or less	Six to twelve months	One to two years	Two to five years
-----------------	------------------------	-------------------	----------------------	------------------	-------------------

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

**Financial liabilities**

Trade payables	3,444,643	3,444,643	3,444,643	-	-	-
Accrued expenses & other liabilities	357,897	357,897	357,897	-	-	-
	<b>3,802,540</b>	<b>3,802,540</b>	<b>3,802,540</b>	<b>-</b>	<b>-</b>	<b>-</b>

**22.3 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, 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 placements or other arrangements to fulfill their obligations.

**Exposure to credit risk**

Credit risk of the Company arises principally from the trade debts, short term investments, loans and advances, deposits 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 according 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 policy is to enter into financial contracts in accordance with the internal risk management policies and investment and operational guidelines approved by the Board of Directors. In addition, credit risk is also minimised due to the fact that the Company invests only in high quality financial assets, majority of which have been rated by a reputable rating agency. All transactions are settled / paid for upon delivery. Except for provision made against the trade receivables amounting to Rs. 18,161,176/-, the Company does not expect to incur material credit losses on its financial assets. The maximum exposure to credit risk at the reporting date is follows:

	<b>Rupees 2020</b>	<b>Rupees 2019</b>
Long term investment	-	14,055,522
Long term loans, advances & deposits	5,706,000	3,606,000
Trade debts - unsecured	2,482,884	19,005,001
Short term investments	15,869,235	6,782,867
Short term deposits, advances & other receivables	41,735,006	58,310,102
Cash and bank balances	48,601,266	3,901,856
	<b>114,394,391</b>	<b>105,661,348</b>

**Concentration of credit risk**

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

**Trade receivables**

The aging of trade receivables and related movement in Expected Credit Loss has been disclosed in note 9 of these financial statements

**Bank balances**

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counter-parties that have stable credit rating. Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

The bank balances along with the credit ratings are tabulated below:

	<b>Rupees 2020</b>	<b>Rupees 2019</b>
A1+	48,591,266	3,891,856
	<b>48,591,266</b>	<b>3,891,856</b>

**22.4 Operational risk**

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

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

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 responsibility;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks 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.

**22.5 Fair value of financial instruments**

The carrying values of all financial assets and liabilities reflected in these financial statements approximate to their fair value. The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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

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

Fair value of the financial assets that are traded in active markets are based on quoted market prices or dealer prices quotations.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED  
NOTES TO THE ACCOUNTS**

**Financial assets**

		<b>2020</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>At fair value through profit and loss</i>					
Listed securities		5,165,414	-	-	5,165,414
		<b>5,165,414</b>	<b>-</b>	<b>-</b>	<b>5,165,414</b>
<i>At fair value - through other comprehensive income</i>					
Investment in shares of Pakistan Stock Exchange Limited		10,703,821	-	-	10,703,821
		<b>10,703,821</b>	<b>-</b>	<b>-</b>	<b>10,703,821</b>
<b>2019</b>					
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>At fair value through profit and loss</i>					
Listed securities		6,782,867	-	-	6,782,867
		<b>6,782,867</b>	<b>-</b>	<b>-</b>	<b>6,782,867</b>
<i>At fair value - through other comprehensive income</i>					
Investment in shares of Pakistan Stock Exchange Limited		14,055,522	-	-	14,055,522
		<b>14,055,522</b>	<b>-</b>	<b>-</b>	<b>14,055,522</b>

**22.6 Capital management**

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

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

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.

**23 OPERATING SEGMENT**

These financial statements have been prepared on the basis of a single reportable segment as the Company's asset allocation decisions are based on a single and integrated business strategy.

All non current assets of the Company as at 30 June 2020 are located in Pakistan.

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**24 RELATED PARTY TRANSACTIONS**

Related parties comprise of group companies (the parent company, fellow subsidiaries and the subsidiaries). Key management personnel of the Company and directors and their close family members, major shareholders of the Company and staff provident fund. Transaction with related parties are on arm's length basis. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment.

Following are the related parties with whom the Company had entered into transactions or have arrangement/ agreement in place:

**Transactions for the year**

Name and relation with related party	Percentage shareholding	Nature of Transaction	2020	2019
Osama Abdul Ghani	5.00%	Brokerage commission earned	732,872	647,918
		Commission paid	314,574	-
Abdul Qadir	45.00%	Brokerage commission earned	186,182	2,130,419
		Commission paid	744,943	2,936,800
Kanwal Bano (Altaf Yousuf's spouse)	-	Brokerage commission earned	61,181	1,070,443
Wasim Hyder	25%	Commission paid	1,240,483	-
Altaf Yousuf	25%	Commission paid	1,000,000	1,631,600

**Balances at year end**

Name and relation with related party	Percentage shareholding	Nature of Transaction	2020	2019
Osama Abdul Ghani	5.00%	Receivable against trading	-	790,167
		Payable against trading	4,475,958	-
Abdul Qadir	45.00%	Receivable against trading	-	4,364,330
		Payable against trading	441,210	-
Kanwal Bano (Altaf Yousuf's spouse)	-	Receivable against trading	5,655,264	10,144,356

**25 NUMBER OF EMPLOYEES**

Total employees of the Company at the year end  
Average employees of the Company during the year

2020	2019
5	5
5	5

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**26 PATTERN OF SHAREHOLDING**

Name of shareholders	2020	2019	2020	2019
	Number of Shares		Percentage of Holding	
Osama Abdul Ghani	1,000,000	1,000,000	5.000%	5.000%
Altaf Yousuf	5,000,200	5,000,200	25.000%	25.000%
Abdul Qadir	9,000,100	9,000,100	45.000%	45.000%
Wasim Hyder	5,000,100	5,000,100	25.000%	25.000%
	<b>20,000,400</b>	<b>20,000,400</b>	<b>100%</b>	<b>100%</b>

*During the year there were no changes in shareholdings above 5%*

**27 CAPITAL ADEQUACY LEVEL**

Total Assets		<b>June 30, 2020</b>
		<b>118,430,702</b>
Less: Total Liabilities		<b>(15,138,232)</b>
Less: Revaluation Reserves (Created upon revaluation of Fixed Assets)		<b>-</b>
<b>Capital Adequacy Level</b>	<b>27.1</b>	<b>103,292,470</b>

**27.1** While determining the value of the total assets of the TREC Holder, notional value of the TRE certificate held by the company as at June 30, 2020, as determined by Pakistan Stock Exchange has been considered.

**28 NET CAPITAL BALANCE**

Net Capital Balance of the Company, as at June 30, 2020, in accordance with the Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 and the guidebook issued by Securities and Exchange Commission of Pakistan is **Rs. 56,737,200/-**. The Statement of Net Capital Balance is enclosed as Annexure A-I.

**29 LIQUID CAPITAL BALANCE**

Liquid Capital Balance of the Company, as at June 30, 2020, in accordance with the Third Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 is **Rs. 43,233,162/-**. The Statement of Liquid Capital is enclosed as Annexure A-II.

**30 AUTHORIZATION FOR ISSUE**

These financial statements were approved by the Company's board of directors and authorised for issue on \_\_\_\_\_.

**31 GENERAL**

**31.1** Figures have been re-arranged and re-classified wherever necessary, for the purpose of better presentation. No major reclassifications were made in these financial statements.

**31.2** Figures have been rounded off to the nearest rupee.

Chief Executive

Director



**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**Statement of Net Capital Balance (Annexure I)**  
As at June 30, 2020

DESCRIPTION	VALUATION BASIS	Note	Sub Total (Rupees)	Total
<b><u>Current Assets</u></b>				
Bank balances and cash deposit	As per book value	2		70,711,246
Trade Receivables	Book Value Less: Overdue for more than fourteen days	3	19,331,210 18,327,406 <b>1,003,804</b>	<b>1,003,804</b>
Investments in listed securities in the name of broker	Securities on the exposure list marked to market less 15% discount	4	- -	-
Securities purchased for clients	Securities purchased for the client and held by the broker where the payment has not been received within fourteen days	5		160,381
Listed TFCs / Corporate Bonds of not less than BBB grade assigned by a credit rating company in Pakistan.	Marked to Market less 10% discount			-
FIBs	Marked to Market less 5% discount			-
Treasury Bill	At market value			-
Any other current asset specified by the Commission	As per the valuation basis determined by the Commission			-
<b>TOTAL ASSETS</b>				<b><u><u>71,875,432</u></u></b>
<b><u>Current Liabilities</u></b>				
Trade payables	Book Value Less: Overdue for more than 30 days	6	12,618,519 4,201,389	<b>8,417,130</b>
Other liabilities	As classified under the generally accepted accounting principles	7		<b>6,721,102</b>
				<b><u><u>15,138,232</u></u></b>
<b>NET CAPITAL BALANCE</b>				<b><u><u>56,737,200</u></u></b>

*The annexed notes 1 to 7 form an integral part of the statement.*

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**Notes to the Statement of Net Capital Balance**

**1 STATEMENT OF COMPLIANCE**

The statement of net capital balance of the Company ("the Statement") has been prepared in accordance with the requirements as contained in the Schedule II of the Securities Brokers (Licensing and Operations) Regulations, 2016 and the guidebook issued by Securities and Exchange Commission of Pakistan (SECP) vide its letter dated September 08, 2016.

The statement is prepared specifically to meet the above mentioned requirements and for submission to the Pakistan Stock Exchange, National Clearing Company of Pakistan Limited and the Securities and Exchange Commission of Pakistan. As a result, the statement may not be suitable for another purpose.

**2 BANK BALANCES AND CASH DEPOSITS**

(Rupees)

These are stated at book value.

**Cash in hand** **10,000**

**Bank balance pertaining to:**

*Brokerage house*

Bank Al Habib Limited 4194-01-5

13,300

Bank Al Habib Limited

35,562,351

**35,575,651**

*Clients*

Bank Al Habib Limited

**13,015,615**

**Deposits against exposure**

Ready market

8,109,980

Future market and loss

14,000,000

MTS exposure margin

-

**22,109,980**

**Total Cash and Bank Balances**

**70,711,246**

**3 TRADE RECEIVABLES**

These are stated at book value and classified as balance generated within 14 days and outstanding for more than 14 days

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**Notes to the Statement of Net Capital Balance**

**4 INVESTMENT IN LISTED SECURITIES IN THE NAME OF BROKER**

These includes tradeable listed securities at market value less discount at 15%

**5 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.

**6 TRADE PAYABLES**

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

**7 OTHER LIABILITIES**

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

*The break up as per trial balance is as follows:*

Overdue for more than 30 days	4,201,389
Accrued expenses	128,710
Other liabilities	292,356
Dealer commission payable	2,024,000
Sindh Sales tax payable	74,647
<b>Total</b>	<b><u><u>6,721,102</u></u></b>

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED**  
**Statement of Liquid Capital (Annexure II)**  
**As on June 30, 2020**

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
<b>I. Assets</b>				
1.1	Property & Equipment	1,536,311	(1,536,311)	-
1.2	Intangible Assets	2,500,000	(2,500,000)	-
1.3	Investment in Govt. Securities (150,000*99)			
	<b>Investment in Debt. Securities</b>			
	<b>If listed than:</b>			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.			
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.			
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.			
	<b>If unlisted than:</b>			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.			
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.			
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.			
	<b>Investment in Equity Securities</b>			
	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of carrying value.	-	-	-
	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.	-	-	-
	iv. 100% Haircut shall be applied to Value of Investment in any asset including shares of listed securities that are in Block, Freeze or Pledge status as on reporting date. (July 19, 2017) Provided that 100% haircut shall not be applied in case of investment in those securities which are Pledged in favor of Stock Exchange / Clearing House against Margin Financing requirements or pledged in favor of Banks against Short Term financing arrangements. In such cases, the haircut as provided in schedule III of the Regulations in respect of investment in securities shall be applicable (August 25, 2017)	-	-	-
1.5				
1.6	Investment in subsidiaries			
	<b>Investment in associated companies/undertaking</b>			
	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.			
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	5,706,000	(5,706,000)	-
1.9	Margin deposits with exchange and clearing house.	22,109,980	-	22,109,980
1.10	Deposit with authorized intermediary against borrowed securities under SLB.			
1.11	Other deposits and prepayments	-	-	-
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			
1.13	Dividends receivables.			
1.14	Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. (Securities purchased under repo arrangement shall not be included in the investments.)			
	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	-	-	-
	ii. Receivables other than trade receivables	563,686	(563,686)	-
	<b>Receivables from clearing house or securities exchange(s)</b>			
	100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-
	claims on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-
	<b>Receivables from customers</b>			
	i. In case receivables are against margin financing, the aggregate if (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. <b>i. Lower of net balance sheet value or value determined through adjustments.</b>	-	-	-
	ii. In case receivables are against margin trading, 5% of the net balance sheet value. ii. Net amount after deducting haircut	-	-	-
	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, iii. Net amount after deducting haircut			
1.17	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. iv. Balance sheet value	697,745	-	697,745

	v. Incase of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts.	18,633,464	159,738	159,738
	<b>v. Lower of net balance sheet value or value determined through adjustments</b>			
	<b>vi. 100% haircut in the case of amount receivable form related parties.</b>	-		
	<b>Cash and Bank balances</b>			
1.18	i. Bank Balance-proprietary accounts	35,575,651	-	35,575,651
	ii. Bank balance-customer accounts	13,015,615	-	13,015,615
	iii. Cash in hand	10,000	-	10,000
	<b>Total cash and bank balances</b>	<b>48,601,266</b>		<b>48,601,266</b>
<b>1</b>	<b>Total Assets</b>	<b>100,348,452</b>		<b>71,568,730</b>
<b>2. Liabilities</b>				
	<b>Trade Payables</b>			
2.1	i. Payable to exchanges and clearing house	-		-
	ii. Payable against leveraged market products			
	iii. Payable to customers	12,618,519	-	12,618,519
	<b>Current Liabilities</b>			
	i. Statutory and regulatory dues			
2.2	ii. Accruals and other payables	2,519,713	-	2,519,713
	iii. Short-term borrowings	-		-
	iv. Current portion of subordinated loans			
	v. Current portion of long term liabilities			
	vi. Deferred Liabilities	-		-
	vii. Provision for bad debts			
	viii. Provision for taxation			
	ix. Other liabilities as per accounting principles and included in the financial statements	-		-
	<b>Non-Current Liabilities</b>			
	i. Long-Term financing			
	a. Long-Term financing obtained from financial institution: Long term portion of financing obtained from a financial institution including amount due against finance lease			
	b. Other long-term financing			
	ii. Staff retirement benefits	-	-	-
2.3	<b>iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if:</b>			
	a. The existing authorized share capital allows the proposed enhanced share capital			
	b. Boad 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.			
	iv. Other liabilities as per accounting principles and included in the financial statements			
	<b>Subordinated Loans</b>			
2.4	i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill 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 exchange.	-	-	-
	ii. Subordinated loans which do not fulfill the conditions specified by SECP			
<b>2</b>	<b>Total Liabilities</b>	<b>15,138,232</b>		<b>15,138,232</b>
<b>3. Ranking Liabilities Relating to :</b>				
	<b>Concentration in Margin Financing</b>			
3.1	The amount calculated client-to- client basis by which any amount receivable from any of the finacees exceed 10% of the aggregate of amounts receivable from total finacees.	-	-	-
	<b>Concentration in securites lending and borrowing</b>			
3.2	The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed			
	<b>Net underwriting Commitments</b>			
3.3	<b>(a) in the case of right issue :</b> 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>(b) in any other case :</b> 12.5% of the net underwriting commitments			
	<b>Negative equity of subsidiary</b>			

3.4	The amount by which the total assets of the subsidiary ( excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary			
<b>Foreign exchange agreements and foreign currency positions</b>				
3.5	5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign currenecy less total liabilities denominated in foreign currency			
3.6	Amount Payable under REPO			
<b>Repo adjustment</b>				
3.7	<b>In the case of financier/purchaser</b> the total amount receivable under Repo less the 110% of the market value of underlying securities. <b>In the case of financee/seller</b> the market value of underlying securities after applying haircut less the total amount received ,less value of any securites deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.			
<b>Concentrated proprietary positions</b>				
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	-	-	-
<b>Opening Positions in futures and options</b>				
3.9	i. In case of customer positions, the total margin requirements in respect of open postions less the amount of cash deposited by the customer and the value of securites held as collateral/ pledged with securities exchange after applyiong VaR haircuts	13,197,336	-	13,197,336
	ii. In case of proprietary positions , the total margin requirements in respect of open positions to the extent not already met	-	-	-
<b>Short sell positions</b>				
3.10	i. Incase of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts			
	ii. Incase of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.			
<b>3</b>	<b>Total Ranking Liabilites</b>	<b>13,197,336</b>	<b>-</b>	<b>13,197,336</b>
	<b>Liquid Capital</b>	<b>72,012,884</b>	<b>-</b>	<b>43,233,162</b>

Nasir Javaid Maqsood Imran  
Chartered Accountants

Client : INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED

Period : For the Year ended June 30, 2020

Purpose: To verify that the Income tax expense is recorded correctly

Source: General Ledger, Financial Statements, Tax certificates

Nature: Recalculation

Timing: Within 3 months of Balance sheet date.

HEAD OF ACCOUNTS	TOTAL	NTR	MTR	FTR
<b>PERCENTAGE OF TOTAL INCOME</b>		<b>98.39%</b>	<b>0.00%</b>	<b>1.61%</b>
<b>COMMISSION</b>	7,222,525	7,222,525	-	-
<b>CAPITAL GAIN ON DISPOSAL OF SHARES OF LISTED COMPANIES</b>	223,951	-	-	223,951
<b>DIVIDEND INCOME</b>	-	-	-	-
<b>RECOVERIES</b>	1,329,256	1,329,256	-	-
Profit on exposure deposit	2,921,430	2,921,430	-	-
Profit on savings accounts	2,214,859	2,214,859	-	-
	<u>13,912,020</u>	<u>13,688,069</u>	-	<u>223,951</u>
OPERATING EXPENSES AND FINANCE COST	14,085,610			
LESS: ACCOUNTING DEPRECIATION	(285,923)			
LESS: ALLOWANCE FOR EXPECTED CREDIT LOSS	-			
LESS: DONATION	-			
ADD: TAX DEPRECIATION	285,923			
ADD: INITIAL ALLOWANCE ON ADDITION	-			
TAXABLE EXPENSES	<u>14,085,610</u>	<u>13,858,865</u>	-	<u>226,745</u>
<b>TAXABLE INCOME FROM BUSINESS</b>		<b>(170,796)</b>	-	<b>(2,794)</b>
<b><u>INCOME FROM PROPERTY</u></b>				-
RENT INCOME	-			-
LESS: 1/5th OF RENT FOR REPAIRS	-	-		-
<b>NORMAL TAXABLE INCOME (INCOME FROM BUSINESS + INCOME FROM PROPERTY)</b>		<b><u>(170,796)</u></b>		
<b>CALCUATION OF TAX LIABILITY</b>		<b>TAXABLE AMOUNT</b>		<b>TAX AMOUNT</b>
TAX PAYABLE @ 29% ON INCOME FROM PROPERTY		-		-
MINIMUM TAX PAYABLE @ 1.5% ON TURNOVER		13,688,069	1.50%	205,321
CAPITAL GAIN TAX				33,593
TAX ON DIVIDEND INCOME		-		-
<b>TAX CHARGEABLE BEFORE ADJUSTMENT OF TAX CREDITS</b>				<b>238,914</b>
LESS: TAX CREDIT FOR CHARITABLE DONATIONS u/s. 61				-
TAX CHARGEABLE AFTER ADJUSTMENT OF TAX CREDITS			<b>A</b>	<b>238,914</b>
<b>LESS: TAX DEDUCTED AT SOURCE</b>				
ADVANCE TAX PAID ON TELEPHONE BILLS				
TAX WITHHELD ON RECEIPT OF RENT INCOME				
TAX WITHHELD ON DIVIDEND INCOME				
ADVANCE TAX PAID ON ELECTRICITY BILLS				
ADVANCE TAX PAID ON INTERNET				
TAX WITHHELD ON PROFIT ON EXPOSURE DEPOSIT				
TAX WITHHELD ON PROFIT ON DEPOSIT AGAINST MARGIN FINANCING				
TAX WITHHELD ON BROKERAGE COMMISSION FROM INSTITUTIONS				
			<b>B</b>	<b>-</b>
<b>INCOME TAX PAYABLE</b>			<b>A-B</b>	<b><u>238,914</u></b>

**Summary of Work Done:**

Calculated tax expense and provision for taxation for the year ended 30th June 2020

Compared the results of our calculation with the clients figure and inquired for significant or unusual differences.

**Conclusion:**

Based on the procedures performed, we conclude that the above amount represent true and fair view in all material respects as on June 30, 2020.