

MRA Securities Limited
Financial Statements
For the year ended June 30, 2020



NASIR JAVAID MAQSOOD IMRAN
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the members of MRA Securities Limited

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

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Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mohammad Javaid Qasim.

Dated: **09 SEP 2020**
Karachi



NASIR JAVAID MAQSOOD IMRAN
Chartered Accountants

MRA SECURITIES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	Rupees 2020	Rupees 2019
ASSETS			
NON-CURRENT ASSETS			
Property & equipment	4	35,808,882	36,907,722
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
Investment property	7	4,909,392	5,454,880
Long term advances & deposits	8	610,000	1,910,000
		43,828,275	60,828,124
CURRENT ASSETS			
Trade receivables	9	407,351,603	138,434,149
Receivable against margin financing	10	532,958,135	333,687,270
Advances, deposits, pre-payments & other receivables	11	447,466,497	375,229,354
Short term investments	12	511,170,572	511,730,896
Cash & bank balances	13	26,915,698	21,219,440
		1,925,862,506	1,380,301,109
TOTAL ASSETS		1,969,690,781	1,441,129,233
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized Capital			
100,000,000 (2019: 100,000,000) ordinary shares of Rs. 10/- each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	14	750,000,000	750,000,000
Reserves		257,107,354	99,891,181
		1,007,107,354	849,891,181
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term loan	15	75,000,000	50,000,000
CURRENT LIABILITIES			
Short term running finance - secured	16	441,402,614	345,593,203
Trade payables	17	337,679,549	178,920,131
Accrued expenses & other liabilities	18	108,501,263	16,724,718
		887,583,427	541,238,052
CONTINGENCIES AND COMMITMENTS	19	-	-
TOTAL EQUITY AND LIABILITIES		1,969,690,781	1,441,129,233

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


Chief Executive


Director



MRA SECURITIES LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	Rupees 2020	Rupees 2019
REVENUE			
Operating revenue	20	496,933,229	333,850,176
Capital gain on sale of securities		97,280,942	4,449,595
Unrealised loss on remeasurement of investment at fair value - through profit or loss	12	(10,306,286)	(60,567,479)
		583,907,885	277,732,292
Administrative expenses	21	(361,003,693)	(188,248,710)
Finance cost	22	(54,756,249)	(32,114,812)
		(415,759,942)	(220,363,522)
Operating profit		168,147,943	57,368,769
Other income	23	28,392,122	25,300,688
Profit before taxation		196,540,065	82,669,457
Taxation	24	(35,972,190)	(50,055,896)
Profit after taxation		160,567,874	32,613,561
Earnings per share - basic	25.1	2.14	0.57

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


 Chief Executive


 Director



MRA SECURITIES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

Note	Rupees 2020	Rupees 2019
	160,567,874	32,613,561
<u>Other comprehensive loss for the year</u>		
Items that will not be reclassified to statement of profit or loss subsequently		
Unrealised loss on remeasurement of investment - At fair value - through other comprehensive income	(3,351,701)	(7,298,060)
Total comprehensive income for the year	157,216,173	25,315,501

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


 Chief Executive

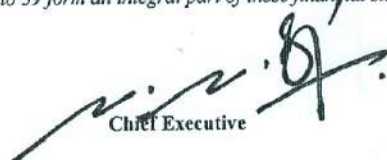

 Director



MRA SECURITIES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Note	Rupees 2020	Rupees 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	196,540,065	82,669,457
Add / (Less) : Items not involved in movement of fund:		
Depreciation	5,258,052	5,558,578
Capital gain on sale of securities	(97,280,942)	(4,449,595)
Loss on remeasurement of investments	10,306,286	60,567,479
Gain on disposal of vehicles	7,208,335	(8,408,919)
Allowance for expected credit loss	(7,405,359)	6,139,740
Dividend Income	54,756,249	(11,468,714)
Finance costs	(27,157,379)	32,114,812
	169,382,685	162,722,839
Cash generated from operating activities before working capital changes		
Net change in working capital	(a) (329,457,918)	170,589,392
Financial charges paid	(160,075,233)	333,312,232
Taxes paid	(50,648,045)	(27,063,755)
Net cash (used in) / generated from operating activities	(7,828,432)	(52,279,016)
	(218,551,710)	253,969,461
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(3,613,724)	(22,957,057)
Proceeds from disposal of property and equipment	-	16,675,465
Proceeds from disposal of shares of LSE Financial Services Limited	-	8,439,750
Long term advances & deposits	1,300,000	-
Short term investments - net	98,346,922	(433,767,165)
Dividend received	7,405,359	11,468,714
Net cash generated from / (used in) investing activities	103,438,557	(420,140,294)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	-	120,000,000
Proceeds from long term loan	25,000,000	50,000,000
Net cash generated from financing activities	25,000,000	170,000,000
Net increase / (decrease) in cash and cash equivalents	(90,113,153)	3,829,167
Cash and cash equivalent at beginning of the year	(324,373,763)	(328,202,930)
Cash and cash equivalent at end of the year	26 (414,486,916)	(324,373,763)
(a) Statement of change in working capital		
(Increase) / decrease in current assets		
Trade receivables	(276,125,790)	63,617,856
Receivable against margin financing	(199,270,865)	95,645,638
Advances, deposits, pre-payments & other receivables	(100,489,021)	184,331,381
	(575,885,676)	343,594,875
Increase / (decrease) in current Liabilities		
Trade payables	158,759,418	(164,849,415)
Accrued expenses & other liabilities	87,668,340	(8,156,068)
	246,427,758	(173,005,483)
Net change in working capital	(329,457,918)	170,589,392

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


Chief Executive


Director



MRA SECURITIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	<i>Reserves</i>			Sub Total	Total
	Issued, subscribed & paid up capital	Unappropriated profit	Unrealised gain on remeasurement of investment at fair value through other comprehensive income		
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>		
Balance as at June 30, 2018	400,000,000	294,034,038	10,541,642	304,575,680	704,575,680
Issue of share capital	120,000,000	-	-	-	120,000,000
Bonus shares	230,000,000	(230,000,000)	-	(230,000,000)	-
Profit for the year	-	32,613,561	-	32,613,561	32,613,561
Loss on remeasurement of investment - At fair value - through other comprehensive income	-	-	(7,298,060)	(7,298,060)	(7,298,060)
Balance as at June 30, 2019	750,000,000	96,647,599	3,243,582	99,891,181	849,891,181
Profit for the year	-	160,567,874	-	160,567,874	160,567,874
Loss on remeasurement of investment at fair value - through other comprehensive income	-	-	(3,351,701)	(3,351,701)	(3,351,701)
Balance as at June 30, 2020	750,000,000	257,215,474	(108,119)	257,107,354	1,007,107,354

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


 Chief Executive


 Director



MRA SECURITIES LIMITED
NOTES TO THE ACCOUNTS

1 CORPORATE AND GENERAL INFORMATION

1.1 Legal status and operations

MRA Securities Limited (the Company) is an unlisted public company limited incorporated in August 17, 2000 as a private limited company under the repealed Companies Ordinance, 1984. The registered office of the Company is situated at 739-741, 7th Floor, Stock Exchange Building, Stock Exchange Road, Karachi, Pakistan. The Company is a holder of Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited. The principal activities of the Company are investments, share brokerage, Initial Public Offer (IPO) underwriting, advisory and consultancy services. The branch offices are situated at;

- Room No. 405-406, 4th Floor, Stock Exchange Building, Karachi
- Room No. 408, 4th Floor, Stock Exchange Building, Karachi
- Room No. 535-536, 5th Floor, Stock Exchange Building, Karachi
- Room No. 608-609, 6th Floor, New Stock Exchange Building, Karachi
- Room No. 701-703, 7th Floor, New Stock Exchange Building, Karachi
- Room No. 719-721, 7th Floor, New Stock Exchange Building, Karachi
- Room No. 1010-1011, 10th Floor, Saima Trade Tower "A", I.I Chundrigar Road, Karachi.
- A-356, Sector 11-B, New Disco More, North Karachi, Karachi

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 certain investments which are carried at fair value. 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.

MRA SECURITIES LIMITED
NOTES TO THE ACCOUNTS

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.

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.

MRA SECURITIES 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.

MRA SECURITIES 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.

MRA SECURITIES 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.

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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.

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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:

**MRA SECURITIES LIMITED
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- 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.

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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.

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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.

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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.

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4 PROPERTY AND EQUIPMENT

	Offices (Rupees)	Office equipments (Rupees)	Computer equipments (Rupees)	Furniture & fixtures (Rupees)	Motor vehicle (Rupees)	Total (Rupees)
<u>Net carrying value basis</u>						
<u>Year ended June 30, 2020</u>						
Opening net book value (NBV)	29,273,211	2,388,268	1,398,783	3,847,460	-	36,907,722
Additions (at cost)	3,129,005	132,639	297,600	54,480	-	3,613,724
Disposals (at NBV)	-	-	-	-	-	-
Depreciation charge	(3,240,222)	(378,136)	(508,915)	(585,291)	-	(4,712,564)
Closing net book value (NBV)	29,161,994	2,142,771	1,187,468	3,316,649	-	35,808,882
<u>Gross carrying value basis</u>						
<u>As at June 30, 2020</u>						
Cost	37,681,226	9,098,282	12,274,055	7,468,785	-	66,522,348
Accumulated depreciation	(8,519,232)	(6,955,511)	(11,086,587)	(4,152,136)	-	(30,713,466)
Net book value (NBV)	29,161,994	2,142,771	1,187,468	3,316,649	-	35,808,882
<u>Net carrying value basis</u>						
<u>Year ended June 30, 2019</u>						
Opening net book value (NBV)	13,472,105	2,405,785	1,695,681	4,435,114	7,472,533	29,481,218
Additions (at cost)	22,159,225	403,942	302,581	91,309	-	22,957,057
Disposals (at NBV)	(3,105,540)	-	-	-	(7,472,533)	(10,578,073)
Depreciation charge	(3,252,579)	(421,459)	(599,479)	(678,963)	-	(4,952,480)
Closing net book value (NBV)	29,273,211	2,388,268	1,398,783	3,847,460	-	36,907,722
<u>Gross carrying value basis</u>						
<u>As at June 30, 2019</u>						
Cost	34,552,221	8,965,643	11,976,455	7,414,305	-	62,908,624
Accumulated depreciation	(5,279,010)	(6,577,375)	(10,577,672)	(3,566,845)	-	(26,000,902)
Net book value (NBV)	29,273,211	2,388,268	1,398,783	3,847,460	-	36,907,722
Annual rates of depreciation (%)	10	15	30	15	15	15

MRA SECURITIES LIMITED
NOTES TO THE ACCOUNTS

Notes	Rupees 2020	Rupees 2019
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5 INTANGIBLE ASSETS

Trading Right Entitlement Certificates - Pakistan Stock Exchange Limited

5.1	2,500,000	2,500,000
	2,500,000	2,500,000

- 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
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Shares transferred to short term investment

6.2	(14,055,522)	-
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Loss on remeasurement of investment at fair value - through other comprehensive income

	-	21,353,582
	-	(7,298,060)
	-	14,055,522

Un quoted

Shares of LSE Financial Services Limited

	-	8,439,750
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Less: Disposal of shares of LSE Financial Services Limited

	-	(8,439,750)
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	-	-
	-	14,055,522

- 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 INVESTMENT PROPERTY

Opening net book value (NBV)

5,454,880	6,060,978
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Additions (at cost)

-	-
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Disposals (at NBV)

-	-
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Depreciation charge

(545,488)	(606,098)
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4,909,392	5,454,880
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Annual rate of depreciation (%)

10	10
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- 7.1 Investment property comprises of offices situated at Karachi which are mortgaged against short term borrowings by banks.

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Notes	Rupees 2020	Rupees 2019
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8 LONG TERM ADVANCES & DEPOSITS

Pakistan Stock Exchange Limited
National Clearing Company of Pakistan Limited
Central Depository Company of Pakistan Limited

110,000	110,000
400,000	1,700,000
100,000	100,000
610,000	1,910,000

9 TRADE RECEIVABLES

Considered good
Considered doubtful

9.1	407,184,136	137,139,799
	13,348,075	6,139,740

Allowance for expected credit loss

9.2	(13,348,075)	(6,139,740)
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Receivable from National Clearing Company of Pakistan Limited

407,184,136	137,139,799
167,468	1,294,349
407,351,603	138,434,149

9.1 This includes amount receivable from related parties aggregating to Rs. 142,419,111/- (2019: Rs. 13,450,726/-).

9.2 Allowance for expected credit loss

Opening balance
Adjustment for the year / Allowance for the year
Closing balance

	6,139,740	-
	7,208,335	6,139,740
9.2.1	13,348,075	6,139,740

9.2.1 The Company assessed on a forward looking basis, the expected credit losses associated with trade receivables and measured loss allowance for trade receivables at an amount equal to life time expected credit losses.

9.2.2 Aging analysis

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

391,545,067	127,794,583
19,869,478	4,890,539
4,068,128	4,454,678
6,545,163	6,139,740
422,027,836	143,279,539

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9.2.3 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-----			
Muhamamd Farhan	38,390,725	13,450,726	226,095,736	18,441,468
Mumtaz Rafiq	514	-	514	-
Ahmed Rafiq	104,027,358	-	162,396,984	12,041,158
	142,418,597	13,450,726	388,493,234	30,482,626

9.2.4 Aging analysis - related party

Name of related party	1 - 60 days	61 - 90 days	91 - 360 days	More than 360	Total gross
	-----Rupees-----				
Muhamamd Farhan	38,390,725	-	-	-	38,390,725
Mumtaz Rafiq	-	514	-	-	514
Ahmed Rafiq	104,027,358	-	-	-	104,027,358
	142,418,083	514	-	-	142,418,597

9.3 Total value of securities pertaining to clients held in the Central Depository Company	2,293,138,103	1,105,901,120
9.4 Value of pledge securities of clients with National Clearing Company of Pakistan Limited	169,750,332	77,314,728
9.5 Value of pledge securities of clients with Financial institutions	897,002,667	364,624,798
9.6 The securities are valued using market rate at the year end		

10 RECEIVABLE AGAINST MARGIN FINANCING

This amount is given as a Margin Financing (MF) to our clients through National Clearing Company of Pakistan Limited. This amount is secured against securities of clients held in house accounts under pledged status. The Company is financing on Financing Participation Ratio (FPR) of maximum 75%. The amount receivable against margin financing from clients amounting to Rs. 532,958,135/- (2019: 333,687,270/-).

11 ADVANCES, DEPOSITS, PRE-PAYMENTS & OTHER RECEIVABLES

Exposure deposits	11.1	324,994,534	206,381,123
Loan to staff		165,000	95,000
Income tax refundable		119,100,571	-
Advance payment of tax		-	166,613,692
Profit on exposure deposits receivable		1,076,231	-
Other deposits		2,130,161	2,139,539
		447,466,497	375,229,354

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

MRA SECURITIES LIMITED
NOTES TO THE ACCOUNTS

Notes	Rupees 2020	Rupees 2019
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12 SHORT TERM INVESTMENT

Investments at fair values through profit & loss

Listed equity securities

Unrealised loss on remeasurement of investment at fair value - through profit or loss

Market value

12.1

521,476,858	572,298,375
(10,306,286)	(60,567,479)
511,170,572	511,730,896

12.1 Listed equity securities

2020	2019	Symbol	Name of Investee	2020	2019
Number of shares	Number of shares			Market value in Rupees	
100,000	258,500	AGL	AGRITTECH LIMITED	468,000	643,665
2,000	2,000	AHCL	ARIF HABIB CORPORATION LIMITED	60,000	49,420
15,000	60,500	ANL	AZGARD NINE LIMITED	238,050	582,010
-	5,000	ARPAK	ARPAK INTERNATIONAL INVESTMENT	-	47,750
31,000	1,195,000	ASC	AL SHAHEER CORPORATION LIMITED	354,640	15,057,000
1,500	50,000	ASL	AISHA STEEL MILLS LIMITED	13,815	460,000
191,000	51,500	ASTL	AMRELI STEELS LIMITED	6,234,240	1,269,990
600	1,100	ATBA	ATLAS BATTERY LIMITED	100,836	105,655
62,000	164,500	ATRL	ATTOCK REFINERY LIMITED	5,537,840	12,710,915
28,000	-	AVN	AVANCEON LIMITED NC	990,080	-
447	-	BAFL	BANK ALFALAH LIMITED	15,006	-
12,566	-	BAHL	BANK AL HABIB LIMITED	657,202	-
16,000	136,500	BGL	BALUCHISTAN GLASS LIMITED	103,840	547,365
491,500	361,500	BOP	BANK OF PUNJAB	4,128,600	3,307,725
100	-	BUXL	BUXLY PAINTS LIMITED	3,760	-
154,500	85,000	BYCO	BYCO PETROLEUM LIMITED	930,090	544,850
1,500	2,500	CEPB	CENTURY PAPER AND BOARD MILLS	107,355	77,875
-	500	CHAS	CHASHMA SUGAR MILLS	-	19,000
12,500	49,500	CHCC	CHERAT CEMENT CO LIMITED	1,089,625	1,532,520
18,200	9,500	CPPL	CHERAT PACKAGING LIMITED	2,132,130	766,080
20,000	10,000	CSAP	CRESENT STEEL AND ALLIED PRODUCTS	910,000	377,800
10,000	-	DAWH	DAWOOD HERCULES CORPORATION XD	1,279,200	-
50,000	20,000	DCL	DEWAN CEMENT LIMITED	389,000	156,200
-	20,000	DFML	DEWAN FAROOQUE MOTORS LIMITED	-	135,800
269,000	126,500	DGKC	D.G.KHAN CEMENT COMPANY LIMITED	22,953,770	7,152,310
57,000	188,000	DOL	DESCON OXYCHEM LIMITED	1,701,450	3,017,400
120,000	-	DSL	DOST STEELS LIMITED	366,000	-
20,378	126,000	EFERT	ENGRO FERTILIZERS LIMITED	1,228,386	8,060,220
6,185	3,000	ENGRO	ENGRO CORPORATION LIMITED	1,811,710	796,800
155,500	140,000	EPCL	ENGRO POLYMER & CHEMICALS LIMITED	3,884,390	3,774,400
-	100	EXIDE	EXIDE PAKISTAN LIMITED	-	13,850
255,500	243,000	FCCL	FAUJI CEMENT CO LIMITED	4,312,840	3,822,390
50,000	85,000	FCEPL	FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED	3,675,500	4,958,050
63,000	72,500	FFBL	FAUJI FERTILIZER BIN QASIM LIMITED	1,005,480	1,321,675
15,808	15,000	FFC	FAUJI FERTILIZER CO LIMITED	1,738,722	1,308,000
453,000	144,500	PFL	FAUJI FOODS LIMITED	4,280,850	1,905,955
-	1,000	FLYNG	FLYING CEMENT CO LIMITED	-	13,560
-	500	FML	FEROZE1888 MILLS LIMITED	-	50,435
-	200	FTHM	FATEH TEXTILE	-	-
2,683,784	3,628,400			72,702,407	74,586,665

MRA SECURITIES LIMITED
NOTES TO THE ACCOUNTS

2020	2019			2020	2019
Number of shares		Symbol	Name of Investee	Market value in Rupees	
600	-	GADT	GADOON TEXTILE MILLS LIMITED	95,706	-
83,500	5,000	GATM	GUL AHMED TEXTILE MILLS LIMITED	2,390,605	235,600
25,000	31,000	GGGL	GHANI GLOBAL GLASS LIMITED	299,000	185,690
83,500	60,000	GGL	GHANI GASES LIMITED	1,313,455	458,400
	500	GHGL	GHANI GLASS LIMITED	-	21,975
192,500	-	GHNI	GHANDARA INDUSTRIES LIMITED	23,292,500	-
27,000	-	GHNL	GHANDARA NISSAN LIMITED	1,694,250	-
15,000	12,000	GLAXO	GLAXOSMITHKLINE PAKISTAN	2,611,200	1,143,960
116,000	95,000	GTJR	GENERAL TYRE & RUBBER & CO	6,902,000	4,893,450
777,500	12,000	HASCOL	HASCOL PETROLEUM LIMITED	10,574,000	823,440
112,028	7,000	HBL	HABIB BANK LIMITED	10,852,152	792,820
1,000	5,000	HTL	HI-TECH LUBRICANTS LIMITED	30,280	138,300
41,972	2,802	HUBC	HUB POWER COMPANY LIMITED	3,042,970	220,658
55,000	-	HUMNL	HUM NETWORK LIMITED	690,250	-
	302	HUBCR	HUB POWER COMPANY	-	-
8,300	-	IGIHL	IGI HOLDINGS LIMITED	1,501,968	-
15,000	47,500	ILP	INTERLOOP LIMITED	658,800	2,102,825
3,000	8,500	INIL	INTERNATIONAL INDUSTRIES LIMITED	275,190	655,095
185,000	85,500	ISL	INTERNATIONAL STEEL LIMITED	9,555,250	3,395,205
-	1	IVIBL	IVIBL	-	-
-	25,000	JOVC	J.O.V. & CO	-	-
-	280,000	JPGL	JAPAN POWER GENERATION LIMITED	-	-
100,000	200,000	JSCL	JAHANGIR SIDDIQUI AND CO LIMITED	1,180,000	2,164,000
318	318	JSLCFO	JSLCFO	-	-
88,000	110,000	KAPCO	KOT ADDU POWER COMPANY	1,773,200	4,001,800
537,000	1,983,000	KEL	K-ELECTRIC LIMITED	1,616,370	8,705,370
50	-	KHYT	KHYBER TEXTILE MILLS LIMITED	11,000	-
9,500	5,000	KOHC	KOHAT CEMENT CO LIMITED	1,305,775	262,650
15,000	25,000	KTML	KOHINOOR TEXTILE MILLS LIMITED	532,650	626,250
25,000	25,000	LOADS	LOADS LIMITED	347,500	377,750
155,000	174,500	LOTCEM	LOTTE CHEMICAL LIMITED	1,542,250	2,661,125
2,000	2,000	LPL	LALPIR POWER LIMITED	23,340	26,000
24,789	49,000	LUCK	LUCKY CEMENT LIMITED	11,442,107	18,643,030
80,837	-	MCB	MCB BANK LIMITED	13,101,253	-
6,000	4,000	MERIT	MERIT PACKAGING LIMITED	71,340	119,080
600	-	MFFL	MITCHELL'S FRUIT FARM LIMITED	128,094	-
85,000	89,000	MFL	MATCO FOODS LIMITED	1,620,100	2,404,780
562,099	582,000	MLCF	MAPLE LEAF CEMENT FACTORY LIMITED	14,603,332	13,903,980
52,500	69,500	MUGHAL	MUGHAL IRON & STEEL IND LIMITED	2,093,700	1,748,620
310,000	300,000	NBP	NATIONAL BANK OF PAKISTAN	8,571,500	10,098,000
21,500	69,500	NCL	NISHAT (CHUNIAN) LIMITED	697,675	2,433,890
44,000	-	NCPL	NISHAT CHUNIAN POWER LIMITED	665,280	-
100	-	NESTLE	NESTLE PAKISTAN LIMITED	673,500	-
63,000	15,200	NETSOL	NETSOL TECHNOLOGIES LIMITED	3,131,730	1,001,528
1,279,000	-	NITG-ETF	NIT PAKISTAN GATEWAY NC	13,237,650	-
106,500	1,500	NML	NISHAT MILLS LIMITED	8,308,065	140,010
94,700	28,500	NRL	NATIONAL REFINERY LIMITED	10,159,416	3,233,895
5,404,393	4,410,123			172,616,403	87,619,176

MRA SECURITIES LIMITED
NOTES TO THE ACCOUNTS

2020	2019	Symbol	Name of Investee	2020	2019
Number of shares				Market value in Rupees	
474,000	565,500	NRSL	NIMIR RBSINS LIMITED	2,929,320	2,997,150
226,158	299,200	OGDC	OIL & GAS DEVELOPMENT COMPANY	24,651,222	39,341,808
537,500	553,000	PAEL	PAK ELEKTRON LIMITED	12,324,875	11,071,060
60,000	-	PIAA	P.I.A.C.L	256,200	-
77,000	416,500	PIBTL	PAKISTAN INT BULK TERMINAL LIMITED	677,600	3,515,260
267,000	372,000	PIOC	PIONEER CEMENT LIMITED	16,831,680	8,425,800
9,062	14,700	POL	PAKISTAN OILFIELDS LIMITED	3,177,409	5,966,583
10,000	159,500	POWER	POWER CEMENT LIMITED	62,000	1,025,585
137,896	147,500	PPL	PAKISTAN PETROLEUM LIMITED	11,966,615	21,303,425
50,150	51,500	PREMA	TA-TAHUR LIMITED	864,085	1,015,065
25,000	326,500	PRL	PAKISTAN REFINERY LIMITED	285,250	5,276,240
600,000	-	PRLRI	PAKISTAN REFINERY LIMITED	102,000	-
2,900	-	PSMC	PAK SUZUKI MOTOR CO. LIMITED	469,307	-
72,282	100,000	PSO	PAKISTAN STATE OIL LIMITED	11,432,120	16,963,000
2,620,000	1,919,806	PSX	PAKISTAN STOCK EXCHANGE LIMITED	25,938,000	24,957,478
43,000	7,493,000	PTC	PAKISTAN TELECOMMUNICATION CO	381,840	61,967,110
45,000	96,000	RPL	ROSHAN PACKAGES LIMITED	1,008,900	1,282,560
101,500	133,900	SEARL	THE SEARLE COMPANY LIMITED	20,221,845	19,624,384
8,300	100,000	SHEL	SHELL PAKISTAN LIMITED	1,515,414	18,246,000
62,000	-	SML	SHAKARGANJ LIMITED	3,069,000	-
56,500	-	SMTM	SAMIN TEXTILES LIMITED	168,935	-
25,000	37,500	SMCPL	SAFE MIX CONCRETE LIMITED	129,750	305,250
145,500	297,500	SNGP	SUI NORTHERN GAS PIPELINE LIMITED	7,944,300	20,673,275
15,000	-	SPEL	SYNTHETIC PRODUCTS LIMITED	623,700	-
250,000	259,500	SPL	SITARA PEROXIDE LIMITED	5,102,500	4,977,210
322,000	320,500	SSGC	SUI SOUTHERN GAS COMPANY	4,295,480	6,627,940
100,000	146,000	STCL	SHABBIR TILES AND CERAMICS LIMITED	798,000	1,502,340
162,000	189,000	STPL	SIDDIQSONS TIN PLATE LIMITED	1,493,640	1,831,410
1,000	-	TOWL	TOWELLERS LIMITED	76,790	-
39,522	44,522	TREET	TREET CORPORATION	705,863	679,406
2,614,500	3,675,000	TRG	TRG PAKISTAN	73,833,480	60,123,000
1,500	-	TSPL	TRI-STAR POWER LIMITED	4,035	-
-	1,000	TRIPF	TRI-PACK FILMS LIMITED	-	66,350
8,000	-	UBDL	UNITED BRANDS LIMITED	211,520	-
31,468	9,000	UBL	UNITED BANK LIMITED	3,252,532	1,326,420
2,470,000	-	UBLP-ETF	UBL PAKISTAN ENTERPRISE LIMITED	28,207,400	-
63,274	783,274	UNITY	UNITY FOODS LIMITED	705,505	8,067,722
-	15,500	WAVES	WAVES SINGER PAKISTAN LIMITED	-	355,725
40,500	-	YOUW	YOUSAF WEAVING MILLS LIMITED	133,650	-
-	15,000	WTL	WORLDCALL TELECOM LIMITED	-	10,500
-	3,732,000	ZELP	ZEAL-PAK CEMENT LIMITED	-	-
11,774,512	22,273,902			265,851,762	349,525,055
19,862,689	30,312,425		GRAND TOTAL	511,170,572	511,730,896

12.2 Shares having market value of Rs. 206,234,915/- (2019: 430,658,822/-) are pledged as security with commercial banks, PSX and NCCPL for the purpose of borrowings, base minimum capital and exposure requirements.

MRA SECURITIES LIMITED
NOTES TO THE ACCOUNTS

13 CASH AND BANK BALANCES

Cash in hand
Cash at bank - *current accounts*

Notes	Rupees 2020	Rupees 2019
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	56,357	102,158
13.1	26,859,341	21,117,282
	<u>26,915,698</u>	<u>21,219,440</u>

3.1 Bank balance pertains to:

Clients
Brokerage House

	24,670,069	19,028,878
	2,189,272	2,088,404
	<u>26,859,341</u>	<u>21,117,282</u>

14 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Ordinary Shares of Rs. 10/- each

2020	2019			
48,800,000	48,800,000	Ordinary shares of Rs. 10 each fully paid in cash	488,000,000	488,000,000
3,200,000	3,200,000	Ordinary shares of Rs. 10 each issued for consideration other than in cash.	32,000,000	32,000,000
23,000,000	23,000,000	Issuance of bonus shares	230,000,000	230,000,000
<u>75,000,000</u>	<u>75,000,000</u>		<u>750,000,000</u>	<u>750,000,000</u>

4.1 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.

4.2 Pattern of shareholding

Pattern of shareholding has been disclosed in note 33 of these financial statements.

15 LONG TERM LOAN - UNSECURED

Subordinated loan

15.1	75,000,000	50,000,000
	<u>75,000,000</u>	<u>50,000,000</u>

5.1 This represents unsecured interest free loan from Muhammad Junaid (Shareholder) to meet capital requirements of the company, which is repayable after one year.

16 SHORT-TERM RUNNING FINANCE - SECURED

From banking company

16.1	441,402,614	345,593,203
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MRA SECURITIES LIMITED
NOTES TO THE ACCOUNTS

16.1 The Company has obtained short term running finance facilities from various commercial banks, amounting to Rs. 1,260 million (2019: 910 million), to meet exposure and working capital requirements. The mark-up charged on these facilities ranges from 3 months KIBOR + 2.00% to 6 months KIBOR + 2.00 per annum on daily outstanding balances payable quarterly. These facilities are secured against pledge of securities of listed companies, properties and personal guarantees of all directors of the Company.

17 This includes trade payable of Rs. 45,257,877/- (2019: Rs. 10,312,947/-) to related party of the Company.

Notes	Rupees 2020	Rupees 2019
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18 **ACCRUED EXPENSES AND OTHER LIABILITIES**

Accrued expenses	30,772,506	6,133,334
Markup payable	8,047,090	5,841,256
Withholding tax payable	2,697,057	660,943
SST payable	5,801,398	2,002,344
Gratuity payable	4,888,425	1,867,216
Payable to National Clearing Company of Pakistan Limited	56,069,513	-
Other liabilities	225,274	219,626
	108,501,263	16,724,718

18.1 This represents amount payable to National Clearing Company of Pakistan Limited in respect of net purchase of securities on behalf of clients.

19 **CONTINGENCIES AND COMMITMENTS**

19.1 The Securities and Exchange Commission of Pakistan (SECP) issued a show cause notice to the Company on December 2009 regarding short sale of shares in proprietary account. In this regard, SECP passed an order and imposed a penalty of Rs. 2,500,000/- on the Company under section 22 of the SECP Ordinance, 1969 on March 05 2010. However, the Company has filed an appeal before the Honourable High Court of Sindh at Karachi. The management is confident that the eventual outcome of the matter will be decided in favour of the Company, therefore, no provision has been made in this regard.

19.2 During the year, Securities and Exchange Commission of Pakistan (SECP) issued show cause notice regarding non compliance with the various regulatory requirements contained in Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018. In this regard, SECP passed an order and imposed a penalty amounting to Rs. 250,000/-. However, the Company has filed an appeal before SECP's appellant bench against the above order and the proceedings thereof are pending till date. The management is confident that the eventual outcome of the matter will be decided in favour of the Company, therefore, no provision has been made in this regard.

MRA SECURITIES LIMITED
NOTES TO THE ACCOUNTS

19.3 During the year 2018, the income tax authorities have issued show cause notices to various members of the Pakistan Stock Exchange Limited, including the Company, to amend original assessment order under section 122(9) read with section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2017 regarding taxability of capital gain on disposal of ordinary shares of Pakistan Stock Exchange Limited. In this regard, the PSX Stock Brokers Association filed Constitution Petition before the Honourable High Court of Sindh at Karachi and the Company became a party with them. The Honourable High Court of Sindh granted stay order in favour of the Petitioners. The management is confident that the eventual outcome of the matter will be decided in favour of the Company, therefore, no provision has been made in this regard.

19.4 There are no outstanding commitments as at June 30, 2020 (2019: Nil).

Notes	Rupees 2020	Rupees 2019
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20 OPERATING REVENUE

Brokerage Commission including sales tax on services		553,166,500	364,291,052
Less: Sales tax on services		(63,638,630)	(41,909,590)
Net brokerage commission excluding sales tax on services	20.1 & 20.2	489,527,870	322,381,462
Dividend income		7,405,359	11,468,714
		496,933,229	333,850,176

20.1 This includes brokerage commission earned from related parties amounting to Rs. 6,996,075 (2019: Rs. 1,468,201).

20.2 Brokerage commission

Equity

Margin Financing

20.3	430,224,703	281,021,825
	59,303,167	41,359,637
	489,527,870	322,381,462

20.3 Brokerage Income - net of sales tax

Equity brokerage

- Institutional customers

- Retail clients

	19,197,675	2,005,058
	411,027,028	279,016,767
	430,224,703	281,021,825

MRA SECURITIES LIMITED
NOTES TO THE ACCOUNTS

Notes	Rupees 2020	Rupees 2019
21 ADMINISTRATIVE EXPENSES		
Directors' remuneration	900,000	3,600,000
Salaries, wages and other benefits	56,228,082	41,857,992
Rent, rates and taxes	667,500	1,128,889
Telephone and communication charges	2,966,534	2,869,325
Utility charges	2,696,906	3,718,125
Printing and stationery	1,279,231	604,255
Travelling and conveyance	1,120,000	162,400
Postage and courier	118,895	112,329
Entertainment	3,230,876	1,965,061
Repair and maintenance	1,758,190	372,716
Computer and software expenses	1,074,062	900,000
Vehicle running expenses	525,790	495,646
Agents' commission	203,164,836	74,451,263
Fees and subscriptions	3,160,714	5,717,888
Audit fee	320,000	300,000
Allowance for expected credit loss	7,208,335	6,139,740
Bad debts	2,050,880	19,439
Insurance	94,675	109,858
Service and transaction charges	44,435,596	32,112,258
Donation	22,206,500	5,830,000
Depreciation	5,258,052	5,558,578
Miscellaneous expenses	538,039	222,949
	361,003,692	188,248,710

21.1 Remuneration of Chief Executive and Director

	2020		2019	
	Chief Executive	Director	Chief Executive	Director
Managerial remuneration	900,000	-	3,600,000	-
Company's contribution to the Provident Fund	-	-	-	-
Fees	-	-	-	-
Bonus	-	-	-	-
Housing and utilities	-	-	-	-
	900,000	-	3,600,000	-
Number of persons (including those who worked part of the year)	1	3	1	3

21.2 This amount includes commission paid to related parties amounted to Rs. 5,519,502/- (2019: 11,000,000/-)

21.3 Auditors' remuneration

Audit services		
Annual audit fee	200,000	150,000
Certifications	40,000	70,000
	240,000	220,000
Non-audit services		
Other services	80,000	50,000
	80,000	50,000
	320,000	270,000

MRA SECURITIES LIMITED
NOTES TO THE ACCOUNTS

Notes	Rupees 2020	Rupees 2019
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21.4 Donations to the following organizations and trust exceed Rs 1,000,000/- or 10% of total donations, which ever is higher.

Liaquat National Hospital
Pakistan Cancer Patients Welfare Society
Saylani Welfare International Trust
Shed Foundation
Dawat-e- Islami

-	997,500
1,500,000	1,000,000
7,000,000	2,500,000
1,000,000	1,000,000
11,615,000	-

21,115,000	5,497,500
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21.4.1 None of the director or their spouses had any interest in the donee organizations.

22 FINANCE COSTS

Bank charges
Markup on short term borrowings from banking companies

1,902,370	2,311,527
52,853,879	29,803,285

54,756,249	32,114,812
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22.1 This represents mark-up payable on short term borrowing (for details refer note 16).

23 OTHER INCOME

From financial assets

Profit on exposure deposit
Profit on deposit against margin financing
IPO commission
Other income

24,938,012	10,863,718
58,722	56,326
-	316,382
-	1,446
24,996,734	11,237,872

From non-financial assets

Recoveries
Gain on disposal of fixed assets
Rental income from investment property

215,388	2,473,897
-	8,408,919
3,180,000	3,180,000
3,395,388	14,062,816

28,392,122	25,300,688
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MRA SECURITIES LIMITED
NOTES TO THE ACCOUNTS

Notes	Rupees 2020	Rupees 2019
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24 TAXATION

Current	33,880,312	42,569,854
Prior	2,091,879	7,486,042
	35,972,190	50,055,896

24.1 Relationship between income tax expense and accounting profit

Profit before taxation	196,540,065	82,669,458
Tax at the applicable tax rate of 29% (2019: 29%)	56,996,619	23,974,143
Tax effect of income taxed at lower tax rates	(1,036,743)	(15,288,217)
Tax effect of exempt income	(28,395,913)	(184,440)
Tax effect of prior year	2,091,879	7,486,042
Tax effect of non deductible expenses	11,670,106	16,503,799
Tax effect of tax credit	(6,270,813)	-
Tax effect of minimum tax	918,065	-
Others	(1,009)	17,564,569
	35,972,190	50,055,896

24.2 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.

24.3 The Company has not recorded deferred tax asset of Rs. 2,429,697/- on net temporary differences as management does not project recoverability of such assets.

25 EARNINGS PER SHARE - BASIC AND DILUTED

25.1 Basic earnings per share

Profit after taxation	160,567,874	32,613,561
Number of shares issued up to the end of the year	75,000,000	57,500,000
	2.14	0.57

25.2 Diluted earnings per share

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

**MRA SECURITIES LIMITED
NOTES TO THE ACCOUNTS**

Notes	Rupees 2020	Rupees 2019
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26 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting year as shown in the cash flow statement are reconciled to the related items in the balance sheet as follows:

Short term running finance
Cash & bank balances

(441,402,614)	(345,593,203)
26,915,698	21,219,440
(414,486,916)	(324,373,763)

27 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

27.1 Financial Instruments by category

27.1.1 Financial Assets

	2020			Total
	At fair value through profit or loss	At fair value through other comprehensive income	At amortized cost	
Long term loans, advances & deposits	-	-	610,000	610,000
Short term investments	511,170,572	-	-	511,170,572
Trade receivables	-	-	407,351,603	407,351,603
Receivable against margin financing	-	-	532,958,135	532,958,135
Short term deposits, advances & other receivables	-	-	447,466,497	447,466,497
Cash and bank balances	-	-	26,915,698	26,915,698
	511,170,572	-	1,415,301,934	1,926,472,506

	2019			Total
	At fair value through profit or loss	At fair value through other comprehensive income	At amortized cost	
Long term investments	-	14,055,522	-	14,055,522
Long term loans, advances & deposits	-	-	1,910,000	1,910,000
Short term investments	511,730,896	-	-	511,730,896
Trade receivables	-	-	138,434,149	138,434,149
Receivable against margin financing	-	-	333,687,270	333,687,270
Short term deposits, advances & other receivables	-	-	375,229,354	375,229,354
Cash and bank balances	-	-	21,219,440	21,219,440
	511,730,896	14,055,522	870,480,213	1,396,266,631

MRA SECURITIES LIMITED
NOTES TO THE ACCOUNTS

27.1.2 Financial Liabilities

	2020		
	Amortised cost	At fair value through profit or loss	Total
Long term loan	75,000,000	-	75,000,000
Short term running finance - secured	441,402,614	-	441,402,614
Trade payables	337,679,549	-	337,679,549
Accrued expenses & other liabilities	108,501,263	-	108,501,263
	962,583,427	-	962,583,427

	2019		
	Amortised cost	At fair value through profit or loss	Total
Long term loan	50,000,000	-	50,000,000
Short term running finance - secured	345,593,203	-	345,593,203
Trade payables	178,920,131	-	178,920,131
Accrued expenses & other liabilities	16,724,718	-	16,724,718
	591,238,052	-	591,238,052

28 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

28.1 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 exposed to such risk mainly in respect of short-term borrowings. Management of the Company estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Company's loss by **Rs. 4,414,026/-** and a 1% decrease would result in a decrease in the Company's loss by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(ii) Currency Risk

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

MRA SECURITIES LIMITED
NOTES TO THE ACCOUNTS

(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. 51,117,057/- 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.

28.2 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.

2020

	Carrying amount	Contractual cash flows	Six month or less	Six to twelve months	One to two years	Two to five years
----- (Rupees) -----						
Financial liabilities						
Short term running finance - secured	441,402,614	441,402,614	441,402,614	441,402,614	-	-
Trade payables	337,679,549	337,679,549	337,679,549	337,679,549	-	-
Accrued expenses & other liabilities	108,501,263	108,501,263	108,501,263	108,501,263	-	-
	887,583,427	887,583,427	887,583,427	887,583,427	-	-

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						
Short term running finance - secured	345,593,203	345,593,203	345,593,203	345,593,203	-	-
Trade payables	178,920,131	178,920,131	178,920,131	178,920,131	-	-
Accrued expenses & other liabilities	16,724,718	16,724,718	16,724,718	16,724,718	-	-
	541,238,052	541,238,052	541,238,052	541,238,052	-	-

MRA SECURITIES LIMITED
NOTES TO THE ACCOUNTS

28.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, 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. 13,348,075, 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 as follows:

	Rupees 2020	Rupees 2019
Long term investments	-	14,055,522
Long term loans, advances & deposits	610,000	1,910,000
Short term investments	511,170,572	511,730,896
Receivable against margin financing	532,958,135	333,687,270
Trade receivables - unsecured	407,351,603	138,434,149
Short term deposits, advances & other receivables	447,466,497	375,229,354
Cash and bank balances	26,915,698	21,219,440
	1,926,472,506	1,396,266,631

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 counterparties that have stable credit rating. Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

MRA SECURITIES LIMITED
NOTES TO THE ACCOUNTS

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

	<u>Short term ratings</u>	Rupees 2020	Rupees 2019
MCB Bank Limited	A-1+	460,286	140,249
JS Bank Limited	A-1+	12,265,679	7,822,992
National Bank of Pakistan	A-1+	1,169,812	1,427,514
Dubai Islamic Bank	A-1+	1,658,482	5,881,474
Allied Bank Limited	A-1+	362,840	477,095
United Bank Limited	A-1+	1,200,925	177,023
Meezan Bank Limited	A-1+	2,433,362	311,760
Bank AL Habib Limited	A-1+	1,380,704	364,736
Askari Bank Limited	A-1+	266,021	78,522
Bank Alfalah Limited	A-1+	395,272	890,869
Habib Metropolitan Bank Limited	A-1+	848,003	1,327,314
Soneri Bank Limited	A-1+	97,259	568,913
Faysal Bank Limited	A-1+	2,755,168	-
The Bank of Khyber	A-1	561,918	419,712
Sindh Bank Limited	A-1	810,542	263,242
BankIslami Pakistan Limited	A-1	193,068	965,868
		26,859,341	21,117,282

28.4 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 activities.

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

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28.5 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:

Financial assets

	2020			Total
	Level 1	Level 2	Level 3	
<i>At fair value through profit and loss</i>				
Listed securities	511,170,572	-	-	511,170,572
	<u>511,170,572</u>	<u>-</u>	<u>-</u>	<u>511,170,572</u>

	2019			Total
	Level 1	Level 2	Level 3	
<i>At fair value through profit and loss</i>				
Listed securities	511,730,896	-	-	511,730,896
	<u>511,730,896</u>	<u>-</u>	<u>-</u>	<u>511,730,896</u>

<i>At fair value - through other comprehensive income</i>				
Investment in shares of Pakistan Stock Exchange Limited	14,055,522	-	-	14,055,522
	<u>14,055,522</u>	<u>-</u>	<u>-</u>	<u>14,055,522</u>

29 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.

MRA SECURITIES LIMITED
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30 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.

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

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

31 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 and major shareholders of the Company. 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:

Name of related party	Nature of relationship	Percentage of shareholding in the Company
Muhammad Farhan Rafiq	Director	25.000%
Muhammad Junaid Rafiq	Shareholder	23.077%
Ahmed Rafiq	Shareholder	19.231%
Mumtaz Rafiq Adam	Shareholder	8.653%
Nabeel	Director	0.001%
Haji Muhammad	Shareholder	13.462%

Details of transactions and balances at year end with related parties, other than remuneration paid to Chief Executive Officer, directors and executive which are disclosed in relevant note to the financial statements, are as follows:

Name of related party	Transaction during the year	Balances at the year end	2020 Rupees	2019 Rupees
Muhammad Farhan Rafiq	Brokerage commission earned		3,386,055	513,176
	Commission paid		2,865,190	-
		Trade receivables	38,390,725	13,450,726
Muhammad Junaid Rafiq	Loan received		25,000,000	50,000,000
	Brokerage commission earned		27,000	-
	Commission paid		2,654,312	6,000,000
		Trade payables	38,988,169	-
Ahmed Rafiq Adam	Brokerage commission earned		2,188,594	492,755
		Trade payables	-	4,475,674
		Trade receivables	104,027,358	-
Mumtaz Rafiq Adam	Commission paid		-	5,000,000
		Trade receivables	514	-
Nabeel	Brokerage commission earned		2,022	16,200
		Trade payables	5,870	1,125
Haji Muhammad	Brokerage commission earned		1,392,404.0	427,173
		Trade payables	6,132,328	5,836,148

MRA SECURITIES LIMITED
NOTES TO THE ACCOUNTS

Rupees 2020	Rupees 2019
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32 NUMBER OF EMPLOYEES

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

127	136
132	116

33 PATTERN OF SHAREHOLDING

Name of shareholders	2020	2019	2020	2019
	Number of Shares		Percentage of Holding	
Muhamamd Farhan	18,749,856	18,749,856	25.000%	25.000%
Muhamamd Junaid	17,307,693	17,307,693	23.077%	23.077%
Ahmed Rafiq	14,423,077	14,423,077	19.231%	19.231%
Mumtaz Rafiq	6,489,663	6,489,663	8.653%	8.653%
Haji Muhammad	10,096,154	10,096,154	13.462%	13.462%
Hina Farhan	7,932,692	7,932,692	10.577%	10.577%
Muhammad Shoaib	144	144	0.000%	0.000%
Nabeel	721	721	0.001%	0.001%
	75,000,000	75,000,000	100%	100%

34 CAPITAL ADEQUACY LEVEL

June 30, 2020

Total Assets
Less: Total Liabilities
Less: Revaluation Reserves (Created upon revaluation of Fixed Assets)

1,969,690,781
(962,583,427)
-

Capital Adequacy Level

34.1

1,007,107,354

34.1 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.

35 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. 813,084,905/-.

36 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. 723,134,710/-.

MRA SECURITIES LIMITED
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37 CORRESPONDING FIGURES

Previous year figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison in the financial statements.

38 AUTHORIZATION FOR ISSUE

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

09 SEP 2020

39 GENERAL

39.1 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.

39.2 Figures have been rounded off to the nearest rupee.


Chief Executive


Director



