

RSM Avasi Hyder Liaquat Nauman
Chartered Accountants

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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF H.G MARKETS (PRIVATE) LIMITED**

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **H.G MARKETS (PRIVATE) LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2023, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit.

In our opinion, except for the possible effect of the matters described in the basis for Qualified Opinion section of our report, to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of 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, 2023, and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

The Company has not made provision for gratuity payable to the employees at end of the year which constitute a departure from IFRS. In our opinion this provision should have been made in the financial statements but we are unable to determine the effect of this on these financial statements due to non-availability of data.

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

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

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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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 the 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 misstatements, 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.

The 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 scepticism throughout the audit. We also:

- Identify and assess the risk 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 disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Nauman Mahmood, FCA.

A handwritten signature in blue ink, appearing to read 'RSM AVAIS HYDER LIAQUAT NAUMAN', is written over the printed name and title.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

PLACE: ISLAMABAD
DATE: SEPTEMBER 15, 2023
UDIN: AR202310379Wc9FU4T3Y

RSM Avasi Hyder Liaquat Nauman
Chartered Accountants

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**INDEPENDENT ASSURANCE REPORT
ON THE INTERNAL CONTROL SYSTEM OF THE FUTURE SECURITIES BROKERS**

TO THE MEMBERS OF H.G MARKETS (PRIVATE) LIMITED

Introduction

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We have undertaken a limited assurance engagement, as required under Regulation 31(6) of the Securities Brokers (Licensing and Operations) Regulations, 2018 (the Regulations) issued by the Securities and Exchange Commission of Pakistan (SECP), to assess whether during the period from 01 July 2022 to 30 June 2023, the H.G MARKETS (PRIVATE) LIMITED has, in all material respects:

- a) maintained systems and controls adequate to identify with reasonable accuracy the assets held on behalf of the customer and distinguish such assets from the proprietary assets of the Securities Broker;
- b) implemented an adequate internal control system and compliance function commensurate with the size and nature of services performed by the Securities Broker; and
- c) has established a compliance function that performed its functions with efficiency.

Criteria

The criteria against which the H.G MARKETS (PRIVATE) LIMITED internal control system, including the controls implemented to identify assets held on behalf of the customer and distinguish such assets from the proprietary assets of the future securities Broker and efficiency of compliance function is evaluated, are the internal controls and compliance procedures set out within the 'Guidelines for the Internal Control System and Compliance Function for the Securities Brokers' (the Guidelines) issued by the SECP only up to extent it is applicable on future brokers and also compliance with internally developed control policies and procedures of company. Information Other than the Financial Statements and Auditor's Report Thereon.

Responsibility of the Board of Directors/Management

The Board of Directors/management is responsible for establishing and maintaining systems and controls to identify and distinguish assets held on behalf of customers and establishing and maintaining an effective internal control system and compliance function in accordance with the Criteria. This responsibility includes designing, implementing and effectively operating throughout the period, the said systems, controls and compliance function commensurate with the size of the future securities broker. Auditor's Responsibilities for the Audit of the Financial Statements.

Limitations

Because of the inherent limitations of internal controls, including the possibility of collusion or management override of controls, material misstatements and significant deficiencies due to fraud or error may not be prevented or detected on a timely basis. Further, our limited assurance conclusion is based on the historical information provided by the management, and projection to future periods of any evaluation or conclusion about the suitability of design and/or operating effectiveness of the internal controls and compliance function would be inappropriate.

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Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 'Quality Control for firms that perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements' and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility and summary of work performed

Our responsibility is to express a limited assurance conclusion on the adequacy of systems and controls designed and implemented by the future securities broker to identify and distinguish the assets held on behalf of the customer, and on the adequacy of internal control system and operation of the compliance function, based on the procedures which we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), 'Assurance Engagements Other than Audits or Reviews of Historical Financial Statements' issued by the International Auditing and Assurance Standards Board (the standard). The standard requires that we plan and perform this engagement to obtain limited assurance about whether systems over identification and distinguishing of assets held on behalf of customers, adequate internal controls and compliance function as required under the Regulations and explained under the Criteria were suitably designed and operated effectively to achieve the related control and compliance objectives, throughout the period from 01, July 2022 to 30, June 2023.

A limited assurance engagement involves assessing the suitability in the circumstances of future securities broker's use of the Criteria as the basis for the systems and controls to identify and distinguish assets held on behalf of customers and the basis for internal control system and compliance function, assessing the risks of material misstatement and significant deficiencies due to fraud or error, responding to the assessed risks as necessary in the circumstances, assessing the effectiveness of internal control system and compliance function which commensurate with the size and nature of services performed by the Securities Broker. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures and the procedures performed in response to the assessed risks.

The procedures performed in a limited assurance engagement vary in nature and timing from, and as explained above are less in extent than the reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, the procedures selected were based on our professional judgement. Within the scope of our work, we performed amongst other the following procedures (Refer note 1).

Limited assurance conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Based on our limited assurance engagement, nothing has come to our attention (except for the effect of the matters reported in the paragraph above), that causes us to believe the Future Securities Broker in accordance with the Criteria, during the period from 1, July 2022 to 30, June 2023, in all material respects:

- (a) has not maintained systems and controls adequate to enable us to identify with reasonable accuracy, the assets held on behalf of the customer and distinguish such assets from the proprietary assets of the Securities Broker;
- (b) has not implemented an adequate internal control system and compliance function commensurate with the size and nature of services performed by the Securities Broker; and
- (c) has not established a compliance function that performed its functions with efficiency.

UDIN: CR202310379Oplguvlqe
PLACE: ISLAMABAD
DATE: 15-09-2023


RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner, Nauman Mahmood, FCA



H.G MARKETS (PVT.) LIMITED

Corporate Member Pakistan Mercantile Exchange Limited
TREC Holder Pakistan Stock Exchange Limited (TREC No 528)

H.G MARKETS PRIVATE LIMITED Director's Report Year Ended June 30, 2023

Dear Shareholders,

We are pleased to present, on behalf of the Board of Directors, Director's Report for H.G Markets Private Limited for the fiscal year ended June 30, 2023. It has been an eventful year marked by challenges and opportunities, and I am proud to report that our company has not only navigated these challenges successfully but has also continued its growth trajectory.

Financial Highlights

Revenue: Our commission income for the year was Rs. 430,758,558 with capital gain on investment for the year was Rs. 394,727,642 and other income for the year was Rs. 6,254,205., representing a 19% increase compared to the previous year. This robust growth can be attributed to our unwavering commitment to innovation and customer satisfaction.

Profitability: Our net profit for the year stands at Rs. 261,005,315, reflecting an increase of 2% from the previous year although company have paid an extra amount of Super Tax of Rs.14,183,334 demanded by FBR still company managed to get positive outcome. This improved profitability is a testament to the efficiency of our operations and our ability to adapt to changing market conditions.

Internal Control: The Board of the Company is responsible for the establishment and maintenance of the Company's system of internal control in order to identify and manage risks faced by the Company. The Board is confident that the system of internal control is sound in design and has been effectively implemented and monitored.

Cash Dividend: Company have issued Interim cash Dividend of Rupees 17.94 per share of total shares for Rupees 89.7 million for year 2023.

Statement of Compliance with Corporate Governance Code: The Company has prepared a "Code of Ethics" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. Furthermore, the Company is compliant with the requirement as mentioned in the Corporate of Governance Code.

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Operational Excellence: Efficiency and effectiveness in our operations have been pivotal to our success. We have optimized our internal processes, invested in cutting-edge technology, and streamlined workflows to ensure that we deliver value to our stakeholders.

Sustainability Initiatives: HG Markets Private Limited is committed to corporate social responsibility. We have taken significant steps to reduce our carbon footprint, improve energy efficiency, and support local communities. Our sustainability efforts align with our long-term vision of responsible growth.

Corporate Social Responsibility-CSR: As part of CSR activities, the Company allocated an aggregate amount of Rs.19,453,487/- during the financial year 2022-2023 to Saylani Welfare Trust, Shaukat Khanum Memorial Cancer Hospital & Research Center, Edhi Foundation and other welfare organizations to support the noble cause for humanity.

External Auditor: The present **M/s. RSM Avas Hyder Liaquat Nauman (Chartered Accountants)**, is the retiring Auditors of the Company. H.G Markets Private Limited has received offer from **M/s. Baker Tilly Mehmood Idrees Qamar (Chartered Accountants)** as Auditors for the financial year ending June 30, 2024.

Future Outlook: Political stability and a consistent economic policy can foster a conducive environment for financial markets and brokerage companies to thrive with constant changes in financial regulations and policies can significantly impact brokerage firms. Keep an eye on any new regulations or reforms introduced by the government or regulatory authorities need to be monitored by brokerage companies in daily basis that is why market sentiment and investor confidence can sway the performance of financial markets and brokerage companies other Factors such as geopolitical tensions or global economic crises can influence sentiment and changes in interest rates set by the central bank can affect investment decisions and the profitability of brokerage firms.

Appreciation and Acknowledgements: I would like to express my sincere gratitude to our employees, customers, partners, and shareholders for their unwavering support. Together, we have achieved remarkable results, and I look forward to another year of growth and success as we work towards our vision of becoming a global leader in our industry.

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Conclusion: In conclusion, the fiscal year 2023 has been a year of growth and resilience for HG Markets Private Limited. Our financial performance, commitment to our customers, and dedication to sustainability have positioned us for continued success in the coming years. Thank you for your trust and confidence in HG Markets Private Limited.

Sincerely,

Hussain Gulraze Mir
Director



Irfan Ahmed Adhami
Director

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H.G MARKETS (PVT) LIMITED

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Statement of Code of Corporate Governance Compliance HG MARKETS PRIVATE LIMITED Year Ended June 30, 2023

Introduction

HG Markets Private Limited is committed to maintaining the highest standards of corporate governance. We recognize the importance of transparency, accountability, and ethical behavior in ensuring the trust and confidence of our stakeholders. This statement outlines our compliance with the principles and recommendations of the Corporate Governance Code for the fiscal year ending June 30, 2023.

Board Composition:

At present, the board includes

Category	Name
Director/CEO	Hussain Gulraze Mir
Director	Irfan Ahmed Adhami
Share Holder	Miss. Fatima Gulraze Mir

Board of Directors

- Composition and Independence:** The Board of Directors comprises a diverse group of experienced individuals with a balance of executive and independent directors. The Board maintains its independence, and a majority of the directors are non-executive.
- Board Meetings:** The Board met regularly during the year, with records indicating adequate notice, attendance, and discussions on strategic matters.
- Committees:** The company maintains various committees, including the Audit Committee, Nomination and Remuneration Committee, and Risk Management Committee, which function in accordance with their respective charters.
- Director Independence:** All independent directors have been assessed for independence and have disclosed any relationships or conflicts of interest.

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Shareholders' Rights and Relations

5. **Information Disclosure:** The company ensures timely and comprehensive disclosure of financial and non-financial information, which is readily accessible to shareholders through various communication channels, including our website.
6. **AGM:** An Annual General Meeting (AGM) was held within the stipulated timeframe, and shareholders were given the opportunity to participate, raise questions, and express their views.

Stakeholder Engagement

7. **Customer Relations:** We maintain open channels of communication with our customers and prioritize their interests in our business decisions. We continue to enhance customer satisfaction.
8. **Employee Relations:** Our commitment to employees' well-being includes competitive compensation, training and development, and adherence to labor laws and regulations.

Ethical Practices and Transparency

9. **Code of Conduct:** HG Markets Private Limited maintains a Code of Conduct that outlines ethical standards and behavior expected from employees, management, and the Board.
10. **Whistleblowing Mechanism:** We have established a confidential and anonymous whistleblowing mechanism to encourage the reporting of any unethical or illegal activities.

Conclusion

HG Markets Private Limited is fully committed to upholding the principles and recommendations of the Corporate Governance Code. We believe that adherence to these principles is vital for maintaining trust, promoting sustainable growth, and creating long-term value for all our stakeholders. We will continue to monitor and improve our corporate governance practices in line with evolving regulations and best practices to ensure the highest standards of governance.

This statement has been approved by the Board of Directors and will be made available to all stakeholders.

Sincerely,



Hussain Gulraze Mir

CEO H.G Markets Private Limited

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H.G Markets (Private) Limited
Statement of Financial Position
As on June 30, 2023

	Notes	2023	2022
		----(Rupees)----	
Assets			
Non-current asset			
Property, Plant & Equipment	4	166,268,444	46,280,335
Intangible Assets	5	5,350,000	5,350,000
Long term deposits	6	3,060,000	3,060,000
Long term loan	7	100,000,000	-
Deferred Tax	8	39,748,925	21,186,471
		<u>314,427,369</u>	<u>75,876,806</u>
Current assets			
Short Term Investment	9	70,849,421	58,771,256
Advances, Deposits and Other Receivables	10	102,656,908	153,538,629
Cash and Bank Balances	11	55,905,111	48,789,435
		<u>229,411,440</u>	<u>261,099,320</u>
		<u>543,838,809</u>	<u>336,976,126</u>
Share Capital and reserves			
Share capital			
Issued, Subscribed and Paid-up Capital	12	50,000,000	50,000,000
Revenue reserve			
Revenue Reserves - Accumulated Profit		<u>386,469,789</u>	<u>215,164,474</u>
		<u>436,469,789</u>	<u>265,164,474</u>
Current liabilities			
Accrued and Other Liabilities	13	82,169,978	43,284,220
Provision For Taxation	14	25,199,042	28,527,432
		<u>107,369,020</u>	<u>71,811,652</u>
Contingencies and commitments	16		
		<u>543,838,809</u>	<u>336,976,126</u>

The annexed notes, from 1 to 29, form an integral part of these financial statements.

Rsm

Chief Executive

Director



H.G Markets (Private) Limited
Statement of Profit or Loss
For the Year Ended June 30, 2023

	Notes	2023	2022
		----- (Rupees) -----	
Revenues			
Commission Income		430,758,558	337,916,532
Capital Gain on Investment		394,727,642	354,583,364
		825,486,201	692,499,896
Expenses			
Administration and general expenses	17	(269,610,749)	(211,534,337)
Selling and distribution expense	18	(280,697,754)	(211,332,448)
Other Expenses	20	(5,876,321)	(8,522,377)
Operating profit		269,301,376	261,110,733
Other Income	19	6,254,205	5,354,000
Finance Cost		(237,726)	(214,710)
Profit Before Tax		275,317,855	266,250,023
Income tax expense	21	(14,312,540)	(9,761,311)
Profit After Tax		261,005,315	256,488,712

Earning per Share- Basic

15

52.20

51.30

The annexed notes, from 1 to 29, form an integral part of these financial statements.

RSM


Chief Executive


Director



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H.G Markets (Private) Limited
Statement of Comprehensive Income
For the Year Ended June 30, 2023

Notes	2023	2022
	----- (Rupees) -----	
Profit for the year	261,005,315	256,488,712
Other comprehensive income:		-
Total Comprehensive Income For The Year	<u>261,005,315</u>	<u>256,488,712</u>

The annexed notes, from 1 to 29, form an integral part of these financial statements.

RSM


 Chief Executive


 Director




H.G Markets (Private) Limited
Statement of Changes in Equity
For the Year Ended June 30, 2023

	Issued, Subscribed & Paid-Up Capital	Revenue Reserves (Unappropriated profit)	Total
	----- (Rupees) -----		
Balance as at June 30, 2021	50,000,000	86,175,762	94,616,633
Profit for the year	-	256,488,712	256,488,712
Other comprehensive income for the year - (net of tax)	-	-	-
Total comprehensive income for the year	-	256,488,712	256,488,712
Interim Cash dividend for the year ended June 30, 2021	-	(127,500,000)	(127,500,000)
Balance as at June 30, 2022	50,000,000	215,164,474	265,164,474
Profit for the year	-	261,005,315	261,005,315
Other comprehensive income for the year - (net of tax)	-	-	-
Total comprehensive income for the year	-	261,005,315	261,005,315
Interim Cash dividend for the year ended June 30, 2022	-	(89,700,000)	(89,700,000)
Balance as at June 30, 2023	50,000,000	386,469,789	436,469,789

The annexed notes, from 1 to 29, form an integral part of these financial statements.


 Chief Executive


 Director



H.G Markets (Private) Limited
Statement of Cash Flows
As at annual ended on June 30, 2023

	Notes	2023	2022
		----- (Rupees) -----	
Cash flows from operating activities			
Profit for the year		275,317,855	266,250,023
Adjustments for non-cash income and expenses:			
Depreciation on Property & Equipment	4	13,911,305	14,325,382
Workers Welfare Fund	13.2	5,876,321	5,596,627
Loss on disposal of vehicles	4	-	2,925,750
Provision for Legal Expense	13	3,500,000	-
(Gain) on Disposal of Vehicle	4	(2,071,981)	-
Finance Cost		237,726	214,710
		<u>21,453,371</u>	<u>23,062,469</u>
Changes in working capital:		296,771,226	289,312,493
Advances, Deposits and Other Receivables		57,367,302	(98,243,024)
Accrued and Other Liabilities		28,397,436	12,373,146
Cash Generated From Operations		<u>85,764,738</u>	<u>(85,869,878)</u>
		382,535,965	203,442,615
Income Tax Paid		(39,188,965)	(29,143,088)
Finance Cost paid		(237,726)	(214,710)
		<u>(39,426,691)</u>	<u>(29,357,798)</u>
Net cash from operating activities		<u>343,109,274</u>	<u>174,084,817</u>
Cash flows from investing activities:			
Increase in short term investment		(12,078,165)	(22,504,473)
Proceeds from disposal of property and equipment		2,600,000	2,000,000
Payment for acquisition of property and equipment		(137,927,433)	(35,355,794)
Addition in intangibles		-	(3,350,000)
Loan to Director		(100,000,000)	5,763,158
Net Cash generated From Investing Activities		<u>(247,405,598)</u>	<u>(53,447,109)</u>
Cash flows from financing activities			
Dividend Paid		(88,588,000)	(127,500,000)
Net cash used in financing activities		<u>(88,588,000)</u>	<u>(127,500,000)</u>
		<u>7,115,676</u>	<u>(6,862,292)</u>
Cash and cash equivalents at the beginning of year		48,789,435	55,651,727
Cash and cash equivalents at the end of year	11	<u>55,905,111</u>	<u>48,789,435</u>

The annexed notes, from 1 to 29, form an integral part of these financial statements.


Chief Executive


Director

H.G Markets (Private) Limited
Notes to the financial statements
for the year ended June 30, 2023

1. Corporate and general information

1.1 Legal status and operations

The Company was incorporated on 18 July 2013 in Pakistan as a Private Limited Company under the Companies Ordinance, 1984 (now The Companies Act, 2017) having registration no 0084568. The principal activity of the Company is to act as Corporate Member of Pakistan Mercantile Exchange (PMEX) and provide Trade Execution services for the products offered by PMEX. The registered office of the Company is situated at 2 - Race Course Road, Lahore.

The geographic locations of business units of the Company are as follows:

<u>Business branches</u>	<u>Address</u>
Karachi	BC-11, Block 5, Kehkshan Clifton, Karachi.
Sargodha	1st Floor, Al aziz manzal, Club Road, Opposite Cantonment board office, Sargodha.
Faisalabad	81, 82 Ground floor, Kohinoor one plaza, Jaranwala road, Faisalabad.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- 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, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except otherwise stated in forthcoming policies and notes. In these financial statements, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

2.3 Functional and presentation currency

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

2.4 Key judgments and estimates

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about 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 estimates are 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.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment are set forth in the forthcoming paragraphs.

(a) Property and equipment

The Company reviews the rates of depreciation, useful lives and residual values of assets for possible impairment on an annual basis. The estimates for fair values of revalued assets are estimated on the basis of valuations carried out by external professional valuers. Any change in the estimates in future years might

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H.G Markets (Private) Limited
Notes to the financial statements
for the year ended June 30, 2023

affect the carrying amounts of the respective items of property and equipment with a corresponding effect on the depreciation charge and impairment.

(b) Income tax

In making the estimates for income taxes, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingencies.

(c) Provision for doubtful debts

The Company records its trade and other receivables after deducting appropriate provisions, if any, using its prudence and experience. The estimate for such provisions are subjective in nature. The provision for doubtful debts of the Company is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realization of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer.

(d) Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events.

3. Summary of significant accounting policies

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

3.1 Changes in accounting standards, interpretations and pronouncements:

Standards and amendments to approved accounting standards that are effective:

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2023. However, these do not have any significant impact on the Company's financial reporting.

Standards and amendments to approved accounting standards that are not yet effective:

There are certain amendments to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2024. However, these are considered either not to be relevant or to have any significant impact on the Company's financial statements and operations and, therefore, have not been disclosed in these financial statements.

3.2 Property and equipment

(a) Measurement

Property and equipment are stated at cost less accumulated depreciation and any identified accumulated impairment loss. Cost in relation to certain property and equipment signifies historical cost and other directly attributable cost of bringing the asset to working condition.

Normal repairs and maintenance are charged to expenses as and when incurred. Major renewals and replacements are capitalized.

(b) Depreciation

Depreciation commences when asset is available for intended use and continues till the asset is derecognized or classified as held for sale. Depreciation on all property and equipment is charged to the statement of profit and loss using reducing balance method at the rates stated in (note 5) so as to write off the historical cost of an asset over its estimated useful life.

(c) Derecognition

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

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H.G Markets (Private) Limited
Notes to the financial statements
for the year ended June 30, 2023

loss in the year the asset is derecognized.

(d) Capital work-in-progress

Capital work-in-progress (CWIP) is stated at cost less impairment loss, if any. All costs and expenses connected with specific assets / projects incurred till completion of installation and erection are carried under CWIP. These are transferred to operating property and equipment at cost as and when these are available for use.

3.3 Long term advances

Advances paid for purchase of investment properties are stated at transaction cost which is fair value of the consideration paid. These are classified as investment property when title of the relevant property is transferred to the Company upon payment of full purchase considerations. These are classified as long term as these are not expected to be realized as working capital of the Company.

3.4 Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect, if any.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

3.5 Intangible assets

This intangible asset is stated at acquisition cost less impairment, if any. There is no foreseeable limit to the period over which this asset is expected to generate net cash inflows for the Company. The Company reviews at each reporting date whether the events and circumstances continue to support indefinite useful life assessment for such asset. If the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount and the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate. Gain and loss on disposal of such asset, if any, is included in statement of profit or loss.

3.6 Long term deposits

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

3.7 Trade debts

Trade debts are initially recognized at fair value and subsequently stated at net of provisions for doubtful debts, if any. Trade debts are reviewed at each reporting date. The Company reviews such balances against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into account expected recoveries, if any.

3.8 Advances, deposits and other receivables

Advances, deposits and other receivables are stated at cost, which represents the fair value, and included in current assets, except for having maturities greater than twelve months after the reporting date, which are classified as non-current assets.

3.9 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the period in which the dividends are approved by the company's shareholders.

3.10 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the statement of financial position. For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand, cash at bank and if any other short term highly liquid investments held are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

3.11 Share capital

Ordinary shares are classified as equity and recognized at their face value.

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3.12 Provisions

A provision is recognized in the financial statements when the Company has legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made to the amount of obligation.

3.13 Current and non-current assets / liabilities

The Company classifies an asset as current when it is expected to be realized in, or is intended for sale or consumption in the Company's normal operating cycle, or it is held primarily for the purpose of being traded, or it is expected to be realized within twelve months of the reporting date, or it is cash or a cash equivalent asset unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

The Company classifies a liability as current when it is expected to be settled in the Company's normal operating cycle, or it is held primarily for the purpose of being traded, or is due to be settled within twelve months after the reporting date, or it is not attached to an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

3.14 Taxation

3.14.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated at the prevailing rates of taxation after taking into account tax credits, rebates and exemption available, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years. However, for income under final tax regime, taxation is based on applicable tax rates under such regime.

3.14.2 Deferred

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to equity in which case it is included in equity.

3.15 Revenue recognition

Revenue is recognized when or as performance obligations are satisfied by transferring control of promised goods or services to a customer under contracts. Commission is recognized as and when services are rendered. Profit on market making is recognized when the right to receive the same is established.

3.16 Foreign currency translations

Transactions in foreign currencies are initially accounted for in Pakistani Rupees at the foreign exchange rates approximating those prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange prevailing on the reporting date except for the liabilities covered under forward exchange contracts, if any, which are translated at contracted rates. Exchange rate differences are taken to the statement of profit or loss for the year in which they arise.

3.17 Financial assets and liabilities

All financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

All financial assets and financial liabilities are initially measured at cost, which is the fair value of the

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H.G Markets (Private) Limited
Notes to the financial statements
for the year ended June 30, 2023

consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost as the case may be.

At the end of each reporting period, the Company assesses whether there is objective evidence of impairment of any financial assets that are measured at cost or amortised cost. If there is objective evidence of impairment, the Company recognises an impairment loss in the statement of profit or loss immediately. If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the impairment loss previously recognised is reversed either directly or by adjusting an allowance account to the extent that the reversal does not result in carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment loss not previously been recognised. The reversal of impairment loss is recognized in the statement of profit or loss immediately.

3.18 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the statement of financial position if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously, if any. Corresponding income and expenditure if any, are also offset and reported on a net basis in the statement of profit or loss.

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H.G Markets (Private) Limited
Notes to The Financial Statements
As at Annual Ended on June 30, 2023

4 Property and equipment

Property and equipment - WDV

Particulars	Cost			Depreciation				Net Book Value as at June 30, 2023	Rate
	As at June 30, 2022	Additions during the year	Deletion	As at June 30, 2023	Accumulated as at June 30, 2023	For The year	Acc. Dep Written off due to Disposal	Accumulated as at June 30, 2023	
Land									
Computers & Accessories	6,456,211	81,100,000		81,100,000	2,732,077	2,018,326	-	4,750,403	0%
Furniture & Fixtures	7,213,523	8,500,000		14,956,211	2,395,795	1,529,379	-	3,925,174	30%
Motor Vehicles	54,623,700	14,517,800	(5,583,700)	21,731,323	17,908,381	9,784,656	(1,555,681)	26,137,356	15%
Generators	1,200,000	30,500,000		79,540,000	1,053,000	94,100	-	1,147,100	20%
Office Equipments	1,761,338	500,000		1,700,000	885,183	484,844	-	1,370,027	30%
		2,809,633		4,570,971					
	71,254,772	137,927,433	(5,583,700)	203,598,505	24,974,437	13,911,305	(1,555,681)	37,330,061	166,268,444

Property, Plant and Equipment - As At June 30, 2022

Particulars	Cost			Depreciation				Net Book Value as at June 30, 2022	Rate
	As at June 30, 2021	Additions during the year	Deletion	As at June 30, 2022	Accumulated as at June 30, 2021	For The year	Acc. Dep Written off due to Disposal	Accumulated as at June 30, 2022	
Computers & Accessories	3,404,786	3,051,425		6,456,211	1,785,747	946,330	-	2,732,077	30%
Furniture & Fixtures	3,607,723	3,605,800		7,213,523	1,876,037	519,758	-	2,395,795	15%
Motor Vehicles	55,140,000	5,583,700	(6,100,000)	54,623,700	6,566,187	12,516,444	(1,174,250)	17,908,381	20%
Generators	1,200,000			1,200,000	990,000	63,000	-	1,053,000	30%
Office Equipments	775,040	986,298		1,761,338	605,334	279,849	-	885,183	30%
	64,127,549	13,227,223	(6,100,000)	71,254,772	11,823,305	14,325,382	(1,174,250)	24,974,437	46,280,335

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2023	2022
166,268,444	46,280,335
166,268,444	46,280,335



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H.G Markets (Private) Limited
Notes to The Financial Statements
As at Annual Ended on June 30, 2023

4.1 In year 2023, the company purchased freehold land measuring 800 square yards in karachi, with the intention of constructing a new main office in karachi. The company has made the payment for acquisition of land and has also obtained the possession of land. Further, the legal title of the land has also been transferred in the name of the company as on 28 September, 2022.

4.2 Particulars of immovable fixed assets

The particulars of the Group's immovable fixed assets are as follows:

Description	Location	Area
Land-Karachi	No. 39th street, B.V.II, Measuring 800 Square yards or thereabout, situated in Pakistan defense, officers housing authority, Karachi	800 square yards

4.3 Detail of disposals of property, plant and equipment

Assets	Cost	Carrying amount	Sale price	Gain/(Loss)	Particulars of buyer	Mode of disposal	Relationship with purchaser
Motor Vehicle	5,583,700	4,028,019	6,100,000	2,071,981	Mr. Umar akram scikh	Negotiation	None

4.4 Depreciation for the year has been allocated as follows:
Administrative and general expenses

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Note	2023	2022
17	13,911,305	14,325,382
	13,911,305	14,325,382



H.G Markets (Private) Limited
Notes to the financial statements
for the ended on June 30, 2023

	Notes	2023	2022
		----(Rupees)----	
5 Intangible Assets			
Trading Right Entitlement Certificate (TREC)	5.1	2,500,000	2,500,000
Pakistan Merchantile Membership Limited-Membership	5.1	2,000,000	2,000,000
Capital Work in Progress- Software	5.2	850,000	850,000
		<u>5,350,000</u>	<u>5,350,000</u>
5.1	The Trading Right Entitlement Certificate and Pakistan Merchantile Membership is considered to have an indefinite useful life, whereas computer software have finite useful life.		
5.2	The company is presently in the process of installing software as recommended by the Pakistan Stock Exchange (PSX) as a necessary requirement for the registration with PSX. An expenditure of PKR 850,000 was incurred in the preceding year for a trial implementation of this software. The full suite comprising nine modules is scheduled for installation in the upcoming fiscal year. (Refer to note 16.1.1)		
6 Long-Term Deposits			
Deposits with PMEX		3,060,000	3,060,000
Total		<u>3,060,000</u>	<u>3,060,000</u>
7 Long term loans			
Loan to director	7.1	100,000,000	-
Total		<u>100,000,000</u>	<u>-</u>
7.1	During year 2023, Company's board of directors has announced a loan to director (Shareholder) Mr. Hussain Gulraiz mir of Rs. 100 million. The is interest free and will be repaid in within 3 years. The maximum amount due as at the end of any month during the year was Rs. 100 million (2022: Rs. Nil).		
8 Deferred Taxation			
Deferred tax (asset) / liability		<u>39,748,925</u>	<u>21,186,471</u>
Deferred tax (asset) / liability comprises of:			
Taxable temporary difference:			
Accelerated tax depreciation on PPE			
Deductible temporary Differences:			
Accelerated accounting depreciation on PPE		444,711	2,066,818
Unused tax losses		29,550,672	10,395,667
Excess of minimum tax over normal tax		9,753,542	8,723,986
Net- deferred Tax		<u>39,748,925</u>	<u>21,186,471</u>
The Movement of deferred tax asset is as under:			
Balance as at beginning of the year		21,186,471	2,420,351
Charges during the year:			
To Statement of Profit or Loss		18,562,453	18,766,120
Balance as at the end of the year		<u>39,748,925</u>	<u>21,186,471</u>
9 Short-Term Investment			
Short Term Investment-PMex		70,849,421	58,771,256
		<u>70,849,421</u>	<u>58,771,256</u>
9.1	This is the short term investment in products offered by the PMEX. The company avails margin in Investment account each year as per the terms of PMEX.		

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H.G Markets (Private) Limited
Notes to the financial statements
for the ended on June 30, 2023

	Notes	2023	2022
		----- (Rupees) -----	
10 Advances, deposits, prepayment			
Advances to employees	22.1	8,761,000	2,450,000
Exposure deposits		5,482,836	1,694,621
Advance for Capital Expenditures	10.1	30,507,139	112,210,571
Advance Income Tax		28,172,077	25,186,496
Prepaid Rent		5,749,833	4,219,336
Other Receivable	10.2 & 13.3	23,984,023	7,777,605
		<u>102,656,908</u>	<u>153,538,629</u>
10.1	The advance has been paid for purchase of an apartment, No-1001, Fantom Diplomatic enclave - plot no 11-D diplomatic enclave islamabad, at Rs. 48.825 million, out of which an advance of Rs. 22.18 million has been made on the date of 3-June-2022 at the time sale agreement and balancing amount of 26.7 million shall be paid in thirteen quarterly equal installment of Rs. 2.05 million in favor of Kun Enterprises having last installment due on the date of 1-Sep-2025, where company shall be eligible to get the possession of the apartment.		
10.2	This includes receivable of Rs. 3.5 million on behalf of disposal of vehicle. (Refer to note 4)		
11 Cash and Bank Balances			
Cash in Hand		-	-
With banks on:			
Current accounts - Local currency		55,905,111	48,789,435
		<u>55,905,111</u>	<u>48,789,435</u>
11.1 Cash and cash equivalents			
The above figures of cash and bank balances reconcile to the amount of cash and cash equivalents shown in the statement of cash flows at the end of the financial year as follows:			
Cash and bank balances		55,905,111	48,789,435
Cash and cash equivalents per statement of cash flows		<u>55,905,111</u>	<u>48,789,435</u>
12 Share Capital			
Authorizes share capital			
(Numbers 5,000,000 @ Rs.10 Each)		<u>50,000,000</u>	<u>50,000,000</u>
12.1 Issues, Subscribed & Paid-up Capital			
5,000,000 (2022: 5,000,000) ordinary shared of Rs. 10 each fully paid in cash		<u>50,000,000</u>	<u>50,000,000</u>
12.1	The Company has one class of ordinary shares which carry no right to fixed income. The shareholders are entitled to receive dividends as declared from time to time and are entitled to 1-vote/ share at the meetings of the company. All shares are equally ranked.		
13 Accrued and Other Liabilities			
Accrued expenses	13.1	37,637,822	33,103,693
Provision for staff welfare	13.2	14,589,387	8,713,065
Withholding tax payable	13.3	26,442,769	1,467,462
Provision for legal Expenses		3,500,000	
Total		<u>82,169,978</u>	<u>43,284,220</u>
13.1	It includes salaries and commission payable of Rs. 32 million.		
13.2 Worker's Welfare Fund Payable			
Opening Balance		8,713,065	3,116,438
Provision for the year		5,876,321	5,596,627
Closing Balance		<u>14,589,387</u>	<u>8,713,065</u>
13.3	Under subsection 19(e) of section 2 of income tax ordinance 2001, it includes withholding tax payable on loan given to director of Rs. 17.647 million.		

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H.G Markets (Private) Limited
Notes to the financial statements
for the ended on June 30, 2023

	2023	2022
Notes	---(Rupees)---	
14 Provison for taxation		
Opening balance	28,527,432	12,850,974
Add: Provision for the year		
Current Year	25,199,042	28,452,389
Prior Years Adjustment	7,675,952	75,043
	32,874,994	28,527,432
Less: Payments/ adjustments against completed assessments	(36,203,384)	(12,850,974)
	<u>25,199,042</u>	<u>28,527,432</u>

15 Earnings per share
Basic earnings per share

The calculation of basic earnings per share has been based on the profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding (if any).

16 Contingencies & Commitments

Contingencies

During year 2017, SECP received seven complaints individually against the company, where complainants alleged that they had given discretionary authority to the employees of the company to trade in their accounts and the employees of the company indulged in excessive trading with the sole objective of generating commissions. SECP took cognizance and initiated an investigation against order dated June 15, 2017, and concluded that 3515 number of trades to amounting approximately amounting Rs. 8.5 billion were executed due to which complainants suffered loss of 2.4 million and company has earned commission of Rs. 4.3 million. A show cause notice issued by SECP to company dated January 22, 2019 and upon conclusion of SCN proceedings, the SECP imposed a penalty of Rs. 5 million via order dated November 10, 2020.

During year 2023, based upon hearing dated May 18, 2023 SECP has imposed penalty on the company vide impugned order is hereby reduced to Rs. 3.5 million, and the instant appeal is disposed by SECP with no order as to costs announced on 5-September 2023. (Refer to Note 13 & 27)

16.1 Commitments

16.1.1 Commitments, for capital expenditure, against accounting software outstanding at the year end for Rs. 4.5 million (2022: Rs. 4.5 million)

16.1.2 Further, company is in process of registration with Pakistan Stock Exchange(PSX). The Company has received TREC certificate from PSX but license is subject to submission of Audited Accounts for the year ended 30th June, 2023 and after the approval from PSX. Commitments, against aforementioned subject matter as the year end for approximately Rs. 2 million (2022: 1.5 million).

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H.G Markets (Private) Limited
Notes to the financial statements
for the ended on June 30, 2023

	Notes	2023	2022
		----(Rupees)----	
17 Administration Expenses			
Salaries & other benefits		98,751,984	81,421,574
Directors' Remuneration		39,000,000	20,601,344
Fee & subscription		6,335,682	4,470,392
Utilities & Other Bills		14,420,020	15,043,506
Repair & maintenance		5,192,298	7,543,752
Rent, Rates & taxes		15,714,572	20,145,965
Office Supplies & Entertainment		24,367,859	21,796,204
Legal & professional charges		5,858,000	1,340,000
Printing & Stationary		2,032,641	1,600,660
Communication charges		7,853,457	7,956,658
Travelling, Conveyance & Lodging		14,135,628	11,866,559
Depreciation on plant and equipment's	4.4	13,911,305	14,325,382
Auditor's Remuneration		900,000	525,000
Charity & donations	17.1	19,453,487	1,298,576
Miscellaneous expenses		1,683,816	1,598,765
Total		269,610,749	211,534,337
17.1	Charity & donations were not made to any donee in which the Company, directors or their spouses had any interest at any time during the year.		
18 Selling & Marketing Expenses			
Salaries, commission & other benefits		232,612,005	174,063,650
Advertisement		7,748,750	2,879,906
Business Developments		40,336,999	34,388,892
		280,697,754	211,332,448
19 Other Income			
Account opening and maintenance Charges		4,182,224	5,354,000
Gain on disposal of Vehicle		2,071,981	
		6,254,205	5,354,000
20 Other Operating Expense			
Workers' Welfare fund		5,876,321	5,596,627
Loss on disposal of Vehicle		-	2,925,750
		5,876,321	8,522,377
21 Taxation - net			
Current Taxation			
For the Year		25,199,042	28,452,389
Prior year adjustment		7,675,952	75,043
		32,874,994	28,527,432
Deferred taxation - Net		(18,562,453)	(18,766,120)
		14,312,540	9,761,311

- 21.1** The provision for current taxation represents the minimum tax and final tax liabilities under section 113 and 169 of the Income Tax Ordinance, 2001. Accordingly, tax charge reconciliation has not been prepared and presented.

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22 Related parties transactions

Related parties comprise subsidiaries, associated companies, companies where directors also hold directorship, retirement benefits fund and key management personnel. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

22.1 Following transactions were made with the related parties of the company, during the year

		2023	2022
<u>Name and Relationship</u>	<u>Transactions during the year</u>	<u>----(Rupees)----</u>	
Executives / Key management personnel:			
Mr. Rashid Ali	Advances (received) / given - net	-	(4,743,240)
	Vehicle purchased	-	-
Mr. Mubeen Ahmad Gillani	Advances (received) / given - net	-	-
Mr Naeem Sadiq	Advances (received) / given - net	2,600,000	-
Mr. Rashid Amin	Advances (received) / given - net	2,450,000	-
Other Employees	Advances (received) / given - net	3,711,000	(1,042,925)
Directors			
Mr. Hussain Gulraze Mir holds 95% of share capital	Loan (received) / provided	100,000,000	(5,475,000)
	Dividend paid	78,375,000	121,125,000
Ms. Fatima Gulraze Mir holds 4.998% of share capital	Loan (received) / provided	-	(288,158)
	Dividend paid	4,123,350	6,369,000
Mr. Irfan Ahmad Adhami holds 0.002% of share capital	Dividend paid	1,650	6,000

Remuneration of chief executive and executives / key management personnel under the term of their employment are disclosed in note 21

23 Remuneration of chief executive, directors and executives

Remuneration of chief executive, director and executives / key management personnel has been included in salaries and other benefits (note 17). Detail is given below

Note	2023		2022	
	--Rupees--	No. of persons	--Rupees--	No. of persons
Directors:				
Remuneration	17	39,000,000	5	20,601,344
Executive / Key management personnel:				
Managerial remuneration and commission		52,417,852		45,580,741

24 Number of Persons

Number of permanent employees for the reporting years were as follows:

	2023	2022
.....Numbers.....	Numbers.....	Numbers.....
Total employees of the company at the June 30	89	80
Average employees of the company during the year	70	70

25 Financial Instruments and Risk Management

Financial Instruments by Category

Financial assets measured at cost / amortized cost

Long term deposits	3,060,000	3,060,000
Long term loan	100,000,000	-
Short Term Investment - PMEX	70,849,421	58,771,256
Advances, Deposits and Other Receivables	102,656,908	153,538,629
Cash and Bank Balances	55,905,111	48,789,435
	332,471,440	264,159,320

Financial liabilities measured at cost / amortized cost

Accrued and Other Liabilities	82,169,978	43,284,220
	82,169,978	43,284,220

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25.1 Financial risk management

The Company's activities expose it to a variety of financial risk: credit risk, liquidity risk and market risk (including currency risk, interest risk and price risk). The Company's senior management oversees the management of these risks. The Board of Directors reviews and approves the related policies periodically.

25.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. The Company is exposed to credit risk from its operating activities (primarily for trade debts and advances for market making and others) and from its financing activities, including balances with banks and financial institutions and other financial instruments. The company does not hold collateral a security against local debtors.

25.3 Liquidity risk management

liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This include maintenance of statement of financial position liquidity ratios, debtors concentration both in terms of the overall funding mix. The Company's approach to managing liquidity is to ensure, as fast as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed condition, without incurring unacceptable losses or risking demand to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements.

25.4 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns. The Company is exposed to market risk due to variation in prices.

25.5 Determination of fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

26 Corresponding Figures

Corresponding figures have been rearranged or reclassified, whenever necessary, for the purpose of comparison, however, no significant reclassification has been made in these financial statements.

27 Events After reporting period

After the end of reporting period and before the date of when the financial statements are authorized for issue, SECP order on the date of 5, September 2023 is received by company for the penalty payment of Rs. 3.5 million pertaining the event that was existing at the reporting period. (Refer to the note 13 & 16)

28 Authorization of financial statements

The financial statements were authorized for issuance by the board of Directors in their meeting held on 15, september 2023.

29 General

Figures in these financial statements have been rounded off to nearest Rupee.

RSM


Chief Executive
Director



H.G MARKETS (PVT) LIMITED

Corporate Member Pakistan Mercantile Exchange Limited

Liquid Capital [as per the requirements of the Securities Brokers (Licensing and Operations) Regulations, 2016]

For The Year End At June 30, 2023

S.No	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1.	Assets			
1.1	Property & Equipment	166,268,444	166,268,444	-
1.2	Intangible Assets	5,350,000	5,350,000	-
1.3	Investment in Govt. Securities (Difference between BV and SV on the date on the basis of PKRV published by NIFT)	-	-	-
	Investment in Debt Securities	-	-	-
	If listed Than:	-	-	-
	i. 5% of the balance sheet value in the case of tenure upto 1 year.	-	-	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years	-	-	-
	If unlisted than:	-	-	-
	i. 10% of the balance sheet value in the case of tenure upto 1 year.	-	-	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years	-	-	-
	Investment in Equity Securities	-	-	-
	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of carrying value.	-	-	-
	In case of Securities are pledged, except those pledged on favour of securities exchange or clearing house against margin requirements or pledged in favour of banks against short-term financing arrangements, 100% haircut shall be applied for the purposes of computation of adjusted value of assets.	-	-	-
1.6	Investment in subsidiaries	-	-	-
	Investment in associated companies/undertaking	-	-	-
	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	-	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	-	-	-
1.9	Margin deposits with exchange and clearing house.	-	-	-
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	-	-	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.	-	-	-
1.13	Dividends receivables.	-	-	-
	Amounts receivable against Repo financing.	-	-	-
14	Amount paid as purchaser under the REPO agreement. (Securities purchased under repo arrangement shall not be included in the investments.)	-	-	-
	Advances and receivables other than trade receivables	173,506,329	45,819,077	127,687,252
	1) No haircut may be applied on short term loan to employees provided these loans are secured and due for repayment within 12 months.			
	2) No haircut may be applied to the advance tax to the extent it is netted with provision of taxation.			
1.15	3) In all other cases, 100% of net value			

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H.G MARKETS (PVT) LIMITED

Corporate Member Pakistan Mercantile Exchange Limited

Liquid Capital [as per the requirements of the Securities Brokers (Licencing and Operations) Regulations, 2016]

For The Year End At June 30, 2023

S.No	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1.16	Receivables from clearing house or securities exchange(s)	-	-	-
	i. 100% value of claims other than those on account of entitlements against trading of securities in all markets including MTM gains.	-	-	-
	Receivables from customers	-	-	-
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. I. Lower of net balance sheet value or value determined through adjustments.	-	-	-
	ii. In case receivables are against margin trading, 5% of the net balance sheet value.	-	-	-
	ii. Net amount after deducting haircut	-	-	-
1.17	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, iii. Net amount after deducting haircut	-	-	-
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value.	-	-	-
	iv. Balance sheet value	-	-	-
	v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. v. Lower of net balance sheet value or value determined through adjustments.	-	-	-
	vi. 100% haircut in the case of amount receivable from related parties.	-	-	-
1.18	Cash and Bank balances	-	-	-
	i. Bank Balance-proprietary accounts	55,905,111	-	55,905,111
	ii. Bank balance-customer accounts	-	-	-
	iii. Cash in hand	-	-	-
1.19	Subscription money against investment in IPO / offer for sale (asset). (No haircut may be applied in respect of amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker).	-	-	-
1.20	Total Assets	401,029,884	217,437,521	183,592,363
2. Liabilities				
2.1	Trade Payables	-	-	-
	i. Payable to exchanges and clearing house	-	-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	-	-	-
2.2	Current Liabilities	-	-	-
	i. Statutory and regulatory dues	-	-	-
	ii. Accruals and other payables	82,169,978	-	82,169,978
	iii. Short-term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long term liabilities	-	-	-
	vi. Deferred Liabilities	-	-	-

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Liquid Capital [as per the requirements of the Securities Brokers (Licencing and Operations) Regulations, 2016]

For The Year End At June 30, 2023

S.No	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	vii. Provision for taxation	25,199,042	-	25,199,042
	Viii. Other liabilities as per accounting principles and included in the financial statements	-	-	-
	Non-Current Liabilities			
	i. Long-Term financing	-	-	-
2.3	ii. Staff retirement benefits	-	-	-
	iii. Other liabilities as per accounting principles and included in the financial statements	-	-	0
	1. 100% haircut may be allowed against long term portion of financing obtained from a financial institution including amount due against finance leases.	-	-	0
	2. Nil in all other cases.	-	-	0
	Subordinated Loans	-	-	0
2.4	100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted:	-	-	0
2.5	Advance against shares for increase in capital of securities broker.	-	-	0
	100% haircut may be allowed in respect of advance against shares if:			
	a) The existing authorized share capital allows the proposed enhanced share capital			
	b) BOD has approved the increase in capital			
	c) Relevant Regulatory approvals have been obtained			
	d) There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed			
	e) Auditor is satisfied that such advance is against the increase of capital.	-	-	0
2.6	Total Liabilities	107,369,020	-	107,369,020
3. Ranking Liabilities Relating to :				
	Concentration in Margin Financing			
3.1	The amount calculated client-to-client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.			
	Concentration in securities lending and borrowing			
	The amount by which the aggregate of:			
3.2	(i) Amount deposited by the borrower with NCCPL			
	(ii) Cash margins paid and			
	(iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed			
	Net underwriting Commitments			
	(a) in the case of right issue : If the market value of securities is less than or equal to the subscription price;			
	the aggregate of:			
3.3	(i) the 50% of Haircut multiplied by the underwriting commitments and			
	(ii) the value by which the underwriting commitments exceeds the market price of the securities.			
	In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting			
	(b) in any other case : 12.5% of the net underwriting commitments			

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H.G. MARKETS (PVT) LIMITED

Corporate Member Pakistan Mercantile Exchange Limited

Liquid Capital (as per the requirements of the Securities Brokers (Accounting and Operational) Regulations, 2016)
For the Year End At June 30, 2021

S.No	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
3.4	Negative equity of subsidiary The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary			
	Foreign exchange agreements and foreign currency positions			
3.5	5% of the net position in foreign currency Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency			
3.6	Amount Payable under RPO Repo adjustment In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities. In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.			
3.7	Concentrated proprietary positions			
3.8	If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security. If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security			
	Opening Positions in futures and options			
3.9	I. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/pledged with securities exchange after applying VaR haircuts II. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met			
	Short sell positions			
3.10	I. In case of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts. II. In case of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.			
3.11	Total Ranking Liabilities			
	Liquid Capital	293,660,865	217,437,521	76,223,344

Hussain Gulraze Mir
CEO/DIRECTOR



RSM

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H.G MARKETS (PVT) LIMITED

Corporate Member Pakistan Mercantile Exchange Limited

STATEMENT OF NET WORTH AS AT JUNE 30, 2023

<u>DESCRIPTION</u>	<u>VALUATION BASIS</u>	<u>Rupees</u>
Listed (quoted) investments in the name of the applicant which are not on the default counter of any of the stock exchanges.	Market value Less: Discount	- -
Other investments like PIBs, Treasury Bills etc. Deposits with scheduled Banks and certificate of investment with NBFIs or DFIs.	At fair value comprising cost plus yield to date thereon	173,506,329
Immovable assets including Land, Building, plant & machinery, etc	Book value of Assets as per Accounts	314,427,369
Trade Debts	As per book value Less: Overdue for more than 90 da	- -
Cash with Banks		55,905,111 543,838,809
Current Liabilities		(107,369,020)
Long term Liabilities		-
NET WORTH		436,469,789



RSM

CHIEF EXECUTIVE OFFICER

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**THE CHIEF EXECUTIVE,
H.G MARKETS (PRIVATE) LIMITED
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RSM Avals Hyder Liaquat Nauman
Chartered Accountants

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CERTIFICATE ON CAPITAL ADEQUACY LEVEL

Dear Sir,

We have been requested to provide you a certificate on the Capital Adequacy Level ("CAL") of H.G Markets (Pvt.) Ltd (hereinafter referred to as the "Company").

Scope of Certificate

To certify the Capital Adequacy Level ("CAL") of the Company as per CDC Regulation 6.8.3 and Pursuant to CDC circular no.29 dated December 20, 2017.

Management's Responsibility

It is the responsibility of Management to ensure compliance with all legal regulatory and other requirements. Furthermore, it is the responsibility of Management to provide information relating to such compliance that is complete, accurate and free from error.

Auditor's Responsibility

Our responsibility is to certify the capital adequacy level ("CAL") of the Company, on the basis of documentation and evidence provided by the Company, in accordance with "Guidelines for Issue of Certificate for Special Purposes by Practicing Chartered Accountant Firms" issued by the Institute of Chartered Accountants of Pakistan.

Our verification was limited to a review of the Company's financial statements at June 30, 2023.

Certificate

We, being the statutory auditors of M/s. H.G Markets (Pvt.) Ltd, certify that the following information is correct and authenticated by us after due diligence from our side as at June 30th 2023.

Particular	Amount (Rs.)
Total Assets	543,838,809
Less: Total Liabilities	107,369,020
Less: Revaluation Reserves (created upon revaluation of fixed assets)	-
Capital Adequacy Level	436,469,789/-

THE POWER OF BEING UNDERSTOOD
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Other Offices at:
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Faisalabad : 92 (41) 854 1165, 854 1965
Peshawar : 92 (91) 527 8310/5277205
Quetta : 92 (81) 282 9809
Kabul : 93 (799) 058155


Note:-

1. While determining the value of the total assets of the TREC holder, national value of the TRE certificate held by H.G Markets (Pvt.) Ltd as determined by Pakistan Stock Exchange has been considered.

Restriction on use and distribution

Our capital adequacy level ("CAL") certificate is intended solely for H.G Markets (Pvt.) Ltd (the Securities Broker), Pakistan Stock Exchange and should not be distributed to any other parties for any other purpose. Our conclusion is not modified in respect of this matter.

This certificate is restricted to the facts stated herein and the producers outlined above.


RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner:
Nauman Mahmood, FCA

PLACE: Islamabad
DATE: September 15, 2023