

DIRECTORS' REPORT

On behalf of the Board of Directors I am pleased to present the Annual report together with the company's Audited Financial Statement and Auditors Report for the Financial year ended 30th June 2021. The Summarized results for the year ended 30th June 2021 are as under:

<u>Financial results</u>	<u>2021</u>
Operating Revenue	28,545,589
Other Income	11,762,669
Profit/Loss before Tax	16,031,625
Income Tax	(3,305,836)
Profit/Loss after Tax	12,725,789
Earnings per share (Rs.)	1.806

AUDITORS:

The auditor M/s UHY Hassan Naeem & Co. retire at the conclusion of the meeting being eligible they have offered themselves for re-appointment.

CONCLUSION:

The Directors appreciate assistance and co-operation extended by customers and employees of the company.

For and on behalf of the Board

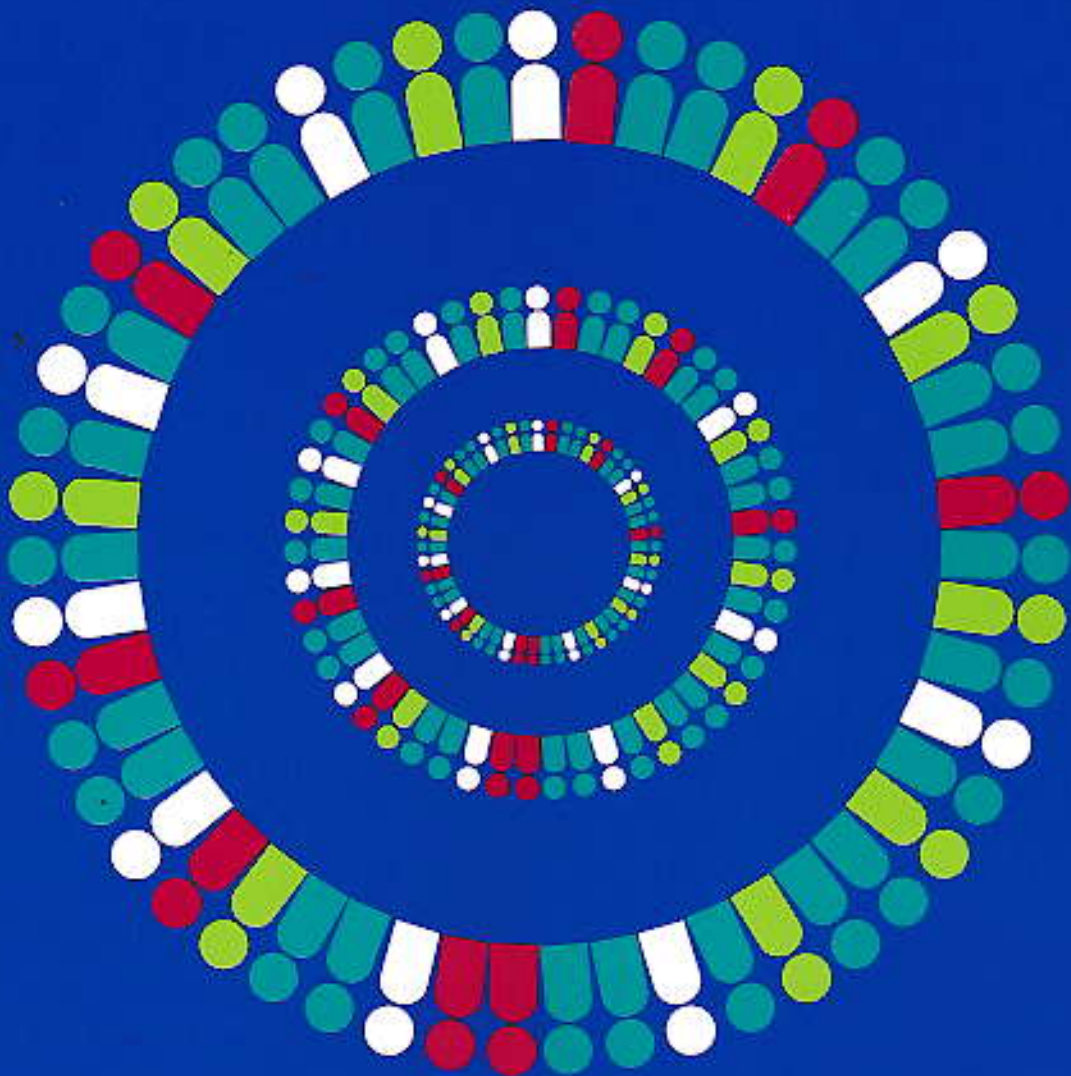


Chief Executive

Date: October 01 2021

Karachi

Nael Capital (Private) Limited
Financial Statements
For the year ended
June 30, 2021



Nacl Capital (Private) Limited
Financial Statements
For the year ended
June 30, 2021

INDEPENDENT AUDITOR'S REPORT

To the members of NAEL CAPITAL (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flow 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, 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, 2021 and of the loss for the year then ended; and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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 requirement of Companies Act, 2017 and for such internal control as management determines is necessary to enables 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 operation, or has no realistic alternative but to do so. Boards of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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;
- 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 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 **Imran Iqbal**

UHY Hassan Naeem & Co.

KARACHI

DATE: 01 OCT 2021

NAEL CAPITAL (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021 (Rupees)	2020 (Rupees)
ASSETS			
NON CURRENT ASSETS			
Property and equipment	4	1,271,437	3,475,029
Intangible assets	5	3,600,000	3,600,000
Investment-at Fair value through other comprehensive income	6	24,121,439	10,703,821
Long term deposits	7	1,302,000	1,302,000
		30,294,876	19,080,850
CURRENT ASSETS			
Trade debts	8	3,366,703	3,449,037
Investment at fair value through profit and loss	9	30,190,860	20,957,163
Advances, deposits, prepayments and other receivables	10	47,420,438	41,659,524
Cash and bank balances	11	44,344,008	24,965,524
		125,322,009	91,031,248
		<u>155,616,885</u>	<u>110,112,098</u>
EQUITY AND LIABILITIES			
CAPITAL RESERVES			
Authorized capital	12.1	300,000,000	300,000,000
Issued, subscribed and paid-up capital	12.2	70,434,993	70,434,993
Share premium		51,000,000	51,000,000
Accumulated Profit/(Loss)		(5,001,746)	(17,727,535)
Surplus/(Deficit) - Investment at Fair value through other comprehensive income		2,492,321	(10,925,297)
		118,925,568	92,782,161
CURRENT LIABILITIES			
Trade and other payable	13	36,691,318	17,329,937
		36,691,318	17,329,937
Contingencies and commitments	14	-	-
		<u>155,616,885</u>	<u>110,112,098</u>

The annexed notes form an integral part of these financial statements.



Chief Executive



Director

NAEL CAPITAL (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021

	<i>Note</i>	2021 <i>(Rupees)</i>	2020 <i>(Rupees)</i>
Revenue from contract with customers	15	28,545,589	15,343,394
Operating and administrative expenses	16	(24,261,181)	(17,289,867)
Finance Cost	17	(15,452)	(162,075)
Operating Income/(loss)		<u>4,268,956</u>	<u>(2,108,548)</u>
Other income	18	<u>11,762,669</u>	<u>1,792,067</u>
NET PROFIT / (LOSS) BEFORE TAXATION		16,031,625	(316,481)
Taxation	19	<u>(3,305,836)</u>	<u>(1,131,622)</u>
NET PROFIT / (LOSS) AFTER TAXATION		<u>12,725,789</u>	<u>(1,448,102)</u>

The annexed notes form an integral part of these financial statements.



Chief Executive



Director

NAEL CAPITAL (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	2021 <i>(Rupees)</i>	2020 <i>(Rupees)</i>
Profit/(loss) for the year	12,725,789	(316,481)
Other Comprehensive Income/ Loss		
Unrealised gain/ (loss) on revaluation of investments at fair value through - other comprehensive income	13,417,618	(3,351,701)
TOTAL COMPREHENSIVE INCOME/ (LOSS)	<u>26,143,407</u>	<u>(3,668,182)</u>

The annexed notes form an integral part of these financial statements.



NAEL CAPITAL (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021

	Issued, Subscribed and Paid-up Capital	Share Premium	Accumulated Profit/(Loss)	Surplus/ (Deficit) - Investment (FVTOCI)	Total
-----Rupees-----					
Balance as at July 01, 2020	70,434,993	51,000,000	(16,279,433)	(7,573,596)	97,581,964
	-	-	(1,448,102)	-	(1,448,102)
Net (loss) for the year					
Surplus/(Deficit) - Investment at Fair value through OCI	-	-	-	(3,351,701)	(3,351,701)
Balance as at June 30, 2020	70,434,993	51,000,000	(17,727,535)	(10,925,297)	92,782,161
Net Profit for the year	-	-	12,725,789	-	12,725,789
Surplus/(Deficit) - Investment at Fair value through OCI	-	-	-	13,417,618	13,417,618
Balance as at June 30, 2021	70,434,993	51,000,000	(5,001,746)	2,492,321	118,925,568

The annexed notes form an integral part of these financial statements.




NAEL CAPITAL (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	2021 (Rupees)	2020 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	16,031,625	(316,481)
<u>Adjustment for non-cash items</u>		
Depreciation	65,307	982,648
Amortization	-	65,924
Realized Gain/(Loss) Investment at fair value through P&L	(1,918,420)	(346,822)
Unrealized Gain/(Loss) Investment at fair value through P&L	(10,616,128)	2,724,040
Dividend income	(294,758)	(995,598)
Gain/(Loss) on disposal of fixed assets	2,051,275	-
Operating profit before working capital changes	(10,712,724)	2,430,192
<u>Changes in working capital</u>		
Decrease/(increase) in trade debts	82,335	(1,251,368)
Decrease/(increase) in advances, deposits and prepayments	(7,573,741)	10,708,798
(Decrease)/increase in trade and other payable	19,361,381	(4,417,451)
	11,869,975	5,039,979
Taxes paid	(1,493,010)	(1,164,717)
Net cash (used in)/generated from operating activities	15,695,865	5,988,974
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(211,715)	(10,500)
Proceeds from sale of property and equipment	298,725	-
Acquisition/Disposal of investments - net of sales	3,300,851	(6,519,084)
Dividend received	294,758	995,598
Net cash (used in)/generated from investing activities	3,682,620	(5,533,986)
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease rental paid	-	-
Net cash (used in)/generated from financing activities	-	-
Net increase in cash and cash equivalent	19,378,485	454,988
Cash and cash equivalent at beginning of the year	24,965,524	24,510,536
Cash and cash equivalent at end of the year	<u>44,344,009</u>	<u>24,965,524</u>

The annexed notes form an integral part of these financial statements.

NAEL CAPITAL (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1 Legal Status and Nature of Business

Nael Capital (Private) limited was incorporated as a private limited company in Pakistan on May 13, 2008 under the Companies Ordinance, 1984. The Company is a corporate member of Pakistan Stock Exchange Limited. The registered office of the company is situated at Business Finance Centre, I-I Chundrigar Road, Karachi. The principal activities of the Company are investment and share brokerage.

2 Basis of Preparation

2.1 Statement of Compliance

These financial statements are prepared in accordance with the provisions of the Companies Act, 2017. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention except Investments that are carried at fair value.

2.3 Functional and Presentation Currency

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

2.4 Use of Estimates and Judgments

The preparation of financial statements is in conformity with approved accounting standards, as applicable in Pakistan, 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 the estimates are revised if the revision affects only that period, or in the period of the revision and future periods in the revision affects both current and future periods.

The estimates and judgments that have a significant effect on the financial statements that are in respect of the following:

- Property and equipment (note 4)
- Taxation (note 18)
- Contingencies (note 14)

2.5 New Accounting pronouncements

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretation:

Description effective for periods		Effective for periods beginning on or after
IAS 1	Presentation of financial statements (Amendments)	January 01, 2023
IAS 8	Accounting policies changes in estimates and errors (Amendments)	January 01, 2023
IFRS 09	Financial Instruments (Amendments)	January 01, 2022
IFRS 16	Leases (Amendments)	January 01, 2021
IAS 16	Property plant and equipment (Amendments)	January 01, 2022
IFRS 16	Provisions contingent liabilities and Contingent Assets (Amendments)	January 01, 2022 January 01, 2021

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have material effect on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by LASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Description effective for periods		Effective for periods beginning on or after
IFRS 01	First time adoption of International Financial Reporting Standards	July 01, 2009
IFRS 14	Regulatory Deferral Accounts	January 01, 2016

3 Summary of Significant Accounting Policies

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

3.1 Taxation

Income tax expense comprises of current, deferred and prior year tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity

Current

Provision for current tax is based on taxable income at the enacted or substantially enacted rates of taxation after taking in to account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years which arises from assessments/ developments made during the year, if any.

Deferred Tax

Deferred tax is recognized using balance sheet method, in respect of temporary differences between the carrying amounts of asset and liabilities for financial reporting purposes and the amounts used for taxation purpose. 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 of taxation.

The company recognizes deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.2 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. Cost incurred to replace a component of an item of property and equipment is capitalized, the asset so replaced is retired from use and its carrying amount is derecognized. Normal repairs and maintenance are charged to the profit and loss account in the period in which they are incurred.

Depreciation on all property and equipment is charged to the profit and loss account using Straight Line Method over the asset's useful life at the rates stated Note no. 4. The depreciation on property and equipment is charged full in the month of acquisition and no depreciation is charged in the month of disposal. Gains or losses on disposal of an item of property and equipment are recognized in the profit and loss account. The assets' residual value and useful life are reviewed at each financial year end, and adjusted if appropriate.

3.3 Intangible Assets

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Trading Right Entitlement Certificate(TREC)

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 when the carrying amount exceeds its estimated recoverable amount, it is written down to its estimated recoverable amount.

Software

Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year, are recognized as an intangible asset. Direct costs include the purchase costs of software and other directly attributable costs of preparing the software for its intended use.

Computer software is measured initially at cost and subsequently stated at cost less accumulated amortization and accumulated impairment losses, if any.

Amortization

Intangible assets with indefinite useful lives are not amortized, instead they are systematically tested for impairment at each reporting date. Intangible assets with finite useful lives are amortized at straight line basis over the useful life of the asset (at the rate specified in note 6 to these financial statements).

3.4 Trade debts and other receivables

Trade debts and other receivables are recognized at fair value and subsequently measure at cost less impairment losses, if any. Actual credit loss experience over past years is used to base the calculation of expected credit loss. Trade debts and other receivables considered irrecoverable are written off.

3.5 Provisions

A provision is recognized in the financial statements when the company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The amount recognized as a provision reflects the best estimate of the expenditure required to settle the obligation at the end of the reporting period.

3.6 Trade and Other Payable

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

3.7 Revenue recognition

Brokerage Commission, corporate finance income and other income are recognized as and when services are rendered.

Dividend income is recognized when the right to receive the dividend is established

Income on continuous funding system transactions and bank deposits is recognized on a time proportionate basis that takes in to account the effective yield.

Mark-up income from investment in margin financing system is calculated on outstanding balance at agreed rates and recorded in profit and loss account.

3.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances and highly liquid short term investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.9 Contingent Liabilities

A Contingent liability is disclosed when the company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the company; or the company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of obligation cannot be measured with sufficient liability.

3.10 Financial Instruments

Initial Measurement of financial asset

The company classifies its financial assets in to 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 acquisition.

Subsequent measurement

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest /markup income calculated using effective interest rate method, and impairment are recognized in the statement of profit and loss account. Other net gains and losses are recognized in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit and loss account.

Equity Investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in statement of profit and loss account 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 classified to the profit and loss account.

Financial asset at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest/markup or dividend income, are recognized in the statement of profit and loss account.

Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest/ markup income, and impairment are recognized in the statement of profit and loss account.

Non Derivative financial assets

All non-derivative financial assets are initially recognized on trade date i.e date on which the company becomes party to the respective contractual provisions. Non-derivative financial asset comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets. The company derecognizes the financial asset. When the contractual rights to the cash flows from the asset expires or it transfer the right to receive the contractual cash flow in a transaction in which substantially all risk and rewards of ownership of the financial assets are transferred or it neither transferred nor retain substantially all the of the risk and rewards of ownership and does not retain control over the transferred asset.

Offsetting of financial assets and financial liabilities

Financial Assets and financial liabilities are offset and the net amount is reported in the financial statements only when the company has a legally enforceable right to offset and the company intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statement only when permitted by the accounting and reporting standards as applicable in Pakistan.

Financial Liabilities

Financial Liabilities are initially recognized on trade date i.e. the date on which the company becomes party to these respective contractual provisions. Financial Liabilities include markup bearing borrowings and trade and other payables. The company derecognizes the financial liabilities when contractual obligations are discharged, cancelled or expire. Financial liability other than fair value through profit and loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortized cost using effective interest rate method.

Impairment

Financial assets

The company recognized loss allowances for Expected Credit Losses (ECLs) in respect of financial asset measured at amortized cost.

The company measures loss allowance at an amount equal to life time ECLs, except for the following, which are measured at 12 month ECLs:

- debt securities that are determined to have low credit risk at reporting date; and
- Other debt securities and bank balances 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 allowance for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of 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 in the company's historical experience and informed credit assessment and including forward- looking information.

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

The gross carrying amount of financial asset is written off when the company has no reasonable expectations of recovering of a financial asset in its entirety or a proportion thereof. The company individually makes an assessment with respect to the timing and amount of write-off based on whether there is 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 the recovery of amounts due.

Non- financial assets

The carrying amounts of company's non- financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment, if such indication exists, the asset's recoverable amount, being higher of value in use and fair value less cost to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using pre- tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together in to smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

NAEL CAPITAL (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

4. PROPERTY AND EQUIPMENT

Particulars	Cost				Rate %	Depreciation				WDV As at June 30, 2021
	As at July 01, 2020	Additions	Disposals/ Write off	As at June 30, 2021		As at July 01, 2020	For the Year	Disposals/ Write off	As at June 30, 2021	
	<i>Rupees</i>					<i>Rupees</i>				
Generator	1,048,330	-	-	1,048,330	10%	1,048,330	-	-	1,048,330	-
Office Equipments	1,626,857	88,400	-	1,715,257	10%	1,383,853	30,218	-	1,414,071	301,186
Furniture & Fixtures	203,292	-	-	203,292	10%	192,047	2,556	-	194,603	8,689
Computers	2,943,954	125,315	-	3,067,269	33%	2,942,449	16,778	-	2,959,227	108,042
Vehicle	8,104,366	-	(6,268,000)	1,836,366	20%	4,885,091	15,755	(3,918,000)	982,846	853,521
June 30, 2021	<u>13,926,799</u>	<u>211,715</u>	<u>(6,268,000)</u>	<u>7,870,514</u>		<u>10,451,770</u>	<u>65,307</u>	<u>(3,918,000)</u>	<u>6,599,077</u>	<u>1,271,437</u>
June 30, 2020	<u>13,916,291</u>	<u>10,500</u>	<u>-</u>	<u>13,926,799</u>		<u>9,469,130</u>	<u>982,648</u>	<u>-</u>	<u>10,451,770</u>	<u>3,475,029</u>

5. INTANGIBLE ASSETS

Booth at Pakistan Stock Exchange

Trading Right Entitlement Certificate (TREC)

Software

5.1

5.2

2021
(Rupees) 2020
(Rupees)

1,100,000	1,100,000
2,500,000	2,500,000
-	-
<u>3,600,000</u>	<u>3,600,000</u>

5.1 Trading Right Entitlement Certificate (TREC)

Trading Right Entitlement Certificate (TREC)

Impairment - TREC

5.1.1

2,500,000	15,852,340
-	(13,352,340)
<u>2,500,000</u>	<u>2,500,000</u>

5.1.1 This represents TREC acquired on surrender of Stock Exchange membership Card. According to the Stock Exchanges (Corporatisation, Demutualization and Integration) Act 2012, the TRE Certificate may only be transferred once to a company intending to carry out shares brokerage business in the manner to be prescribed.

5.2 Software

Opening

Additions

Accumulated Amortization

Closing

300,255	291,755
-	-
(300,255)	(291,755)
<u>-</u>	<u>-</u>

		2021 (Rupees)	2020 (Rupees)
6. INVESTMENT - AT FAIR VALUE THROUGH OCI			
Investment in shares of Pakistan Stock Exchange		<u>24,121,439</u>	<u>10,703,821</u>
6.1	This represents 1,081,94 (2020: 1,081,194) shares of Pakistan Stock Exchange Limited. These shares are pledge with PSX against Base minimum capital requirement.		
7. LONG-TERM DEPOSITS			
Deposit in National Clearing Company		200,000	200,000
Deposit in Central Depository Company		100,000	100,000
Others		2,000	2,000
NCCPL Deposit		1,000,000	1,000,000
		<u>1,302,000</u>	<u>1,302,000</u>
8. TRADE DEBTS			
Trade debts		3,866,703	3,949,037
less: Loss allowance		(500,000)	(500,000)
		<u>3,366,703</u>	<u>3,449,037</u>
9. INVESTMENT AT FAIR VALUE THROUGH PROFIT AND LOSS			
Investment in quoted securities	9.1	28,300,608	10,283,457
Investment in Mutual funds	9.2	1,890,252	10,673,705
		<u>30,190,860</u>	<u>20,957,163</u>
9.1.	Investment in various equity shares carried at market value. This includes investment pledge with PSX amounting to Rs 19,266,442 against Base Minimum Capital.		
9.2	Investment in MCB- Al hamra Mutual fund.		
10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposit in Pakistan Stock Exchange - Ready Market		21,200,000	24,700,000
Deposit in Pakistan Stock Exchange - Future Market		17,936,207	6,614,016
Tax refundable		7,278,451	9,091,277
BMC Deposit		910,000	900,000
Sales tax		-	49,038
Advance to staff		95,780	231,113
Prepaid takaful expense		-	74,080
		<u>47,420,438</u>	<u>41,659,524</u>
11. CASH AND BANK BALANCES			
		2021 (Rupees)	2020 (Rupees)
Cash in hand		16,555	18,400
Cash at bank - Current		44,327,453	24,947,124
Saving		-	-
		<u>44,344,008</u>	<u>24,965,524</u>
11.1	This includes bank balances pertaining to client amounting to Rs. 35,000,911		

12. SHARE CAPITAL

12.1 Authorized Share Capital

2021	2020		2021	2020
Number of Shares				
<u>30,000,000</u>	<u>30,000,000</u>	ordinary shares of Rs. 10 each	<u>300,000,000</u>	<u>300,000,000</u>

12.2 Issued, Subscribed and Paid-up Capital

<u>7,043,499</u>	<u>7,043,499</u>	ordinary shares of Rs. 10 each fully paid in cash	<u>70,434,993</u>	<u>70,434,993</u>
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12.3 PATTERN OF SHAREHOLDING

	Number of Shares	Holding Percentage
1. Mr. Ashraf Bava (Director)	5,621,020	79.80%
2. Mr. Irshad ul Haq (Director)	5,000	0.07%
3. Mr. Nasir Muqet (Director)	172,302	2.45%
4. Mr. Muhammad Shakeel	1,245,177	17.68%
	<u>7,043,499</u>	<u>100.00%</u>

13. TRADE AND OTHER PAYABLE

Credit balances of clients	13.1.	35,012,311	15,416,759
Other Payable		840,775	-
Provident fund payable		353,329	226,196
Audit Fee Payable		250,000	14,400
Accrued Expenses		234,903	1,672,581
		<u>36,691,318</u>	<u>17,329,937</u>

2021
(Rupees)

2020
(Rupees)

13.1 Credit balances of clients held by the company 35,012,311 15,416,759

13.2 No Securities of clients is pledged with Financial Institution.

13.3 No Securities of the company is pledged with Financial Institution.

14. CONTINGENCIES AND COMMITMENTS

15.1 - -

14.1. There were no contingencies and commitments as at June 30, 2021.

15. REVENUE FROM CONTRACT WITH CUSTOMERS

Brokerage income	15.1	<u>28,545,589</u>	<u>15,343,394</u>
15.1 Brokerage Income- gross		32,811,021	17,636,085
Sales tax		(4,265,433)	(2,292,691)
		<u>28,545,589</u>	<u>15,343,394</u>

16. OPERATING AND OTHER EXPENSES

Salaries, allowances and other benefits	16,548,787	11,800,035
Communication	299,591	196,662
Printing & Stationary	64,330	93,297
Utilities	530,208	324,607
Repair and maintenance	401,408	392,527
Bad Debts Expense	106,594	2,440
Rent, rates and taxes	447,750	463,600
Transaction Charges	1,858,053	1,728,873
Entertainment	256,258	114,179
Amortization	8,500	65,924
Fees & subscription	609,211	137,868
Auditor's remuneration	390,000	70,000
Depreciation	65,307	982,648
Donation	25,000	-
Computer expense	1,497,273	584,738
Insurance	37,037	-
Miscellaneous	1,035,363	332,470
Travelling and Conveyance	80,510	-
	<u>24,261,181</u>	<u>17,289,867</u>

17. FINANCE COST

Markup on assets subject to finance lease	-	142,086
Bank charges	15,452	19,989
	<u>15,452</u>	<u>162,075</u>

18. OTHER INCOME

	2021 (Rupees)	2020 (Rupees)
Realized Gain/(Loss) Investment at fair value through P&L	1,918,421	346,822
Unrealized Gain/(Loss) Investment at fair value through P&L	10,616,128	(2,724,040)
Return on Deposit in PSX - Ready Market	838,147	3,083,521
Return on Bank Deposits	13,266	3,570
Gain/ (Loss) on Disposal	(2,046,245)	-
Other income	128,193	86,597
Dividend Income	294,758	995,598
	<u>11,762,669</u>	<u>1,792,067</u>

19. TAXATION

The Company has filed return for the tax year 2020. According to Income Tax Ordinance 2001, the return filed is deemed to be an assessment order unless modified by Commissioner of Income Tax.

Provision for taxation

- Current year		628,739	1,131,622
- Prior year		2,677,097	-
- Deferred	19.1	-	-
Net tax charge		<u>3,305,836</u>	<u>1,131,622</u>

19.1 The company's did not expect stable profits in the future therefore deferred tax asset is not recognized.

20. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

20.1 Financial instrument by category

20.1.1 Financial assets

2021			
At fair value through profit or loss	At fair value through OCI	At amortized cost	Total
-	-	1,302,000	1,302,000
-	24,121,439	-	24,121,439
30,190,860	-	-	30,190,860
-	-	3,366,703	3,366,703
-	-	40,141,987	40,141,987
-	-	44,344,008	44,344,008
<u>30,190,860</u>	<u>24,121,439</u>	<u>89,154,698</u>	<u>143,466,997</u>

2020			
At fair value through profit or loss	At fair value through OCI	At Amortized cost	Total
-	-	1,302,000	1,302,000
-	10,703,821	-	10,703,821
20,957,163	-	-	20,957,163
-	-	3,449,037	3,449,037
-	-	32,568,246	32,568,246
-	-	24,965,524	24,965,524
<u>20,957,163</u>	<u>10,703,821</u>	<u>62,284,808</u>	<u>93,945,791</u>

20.1.2 Financial Liabilities at amortized cost

	2021	
	Amount	Total
Trade and other Payables	36,691,318	36,691,318
	<u>36,691,318</u>	<u>36,691,318</u>

	2020	
	Amount	Total
Trade and other Payables	17,329,937	17,329,937
	<u>17,329,937</u>	<u>17,329,937</u>

20.2 Financial risk management

The company primarily invests in marketable securities and are subject to varying degrees of risk.

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

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

20.2.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking in to 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 fulfil their obligations.

Exposure to Credit risk

Credit risk of the company arises principally from the trade debts, investments, loans and advances, deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. The company allow to trade in future contracts after taking appropriate margins

Credit risk is minimised due to the fact that the company invest only in high quality financial assets, all transactions are settled/paid for upon delivery. The company doesnot expect to incur material credit losses on its financial assets. The maximum exposure to credit risk at the reporting date is as follows:

	2021	2020
	Rupees	
Long Term deposit	1,302,000	1,302,000
Investment at fair value through OCI	24,121,439	10,703,821
Investment at fair value through P&L	30,190,860	20,957,163
Advances, deposits prepayments and other receivable	39,231,987	31,545,129
Trade debts	3,366,703	3,449,037
Bank Balances	44,327,453	24,947,124
	<u>142,540,441</u>	<u>92,904,273</u>

20.2.1.2 Bank Balances

The Analysis below summarizes the credit quality of the company's bank balance:

	2021	2020
	<i>Rupees</i>	
AAA	4,798,266	334,390
AA+	513,505	6,873,183
AA-	353,330	226,196
A+	38,662,352	17,513,355
	<u>44,327,453</u>	<u>24,947,124</u>

The credit rating agency are PACRA and JCR-VIS.

20.2.2 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 asset. 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 commitments associated with financial liabilities as they fall due. prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of business.

2021					
	carrying amount	contractual cash flows	up to one year	one to two years	Two to five years
Financial Liabilities					
Trade and other payables	36,691,318	36,691,318	36,691,318	-	-
	<u>36,691,318</u>	<u>36,691,318</u>	<u>36,691,318</u>		
2020					
	carrying amount	contractual cash flows	up to one year	one to two years	Two to five years
Financial Liabilities					
Trade and other payables	17,329,937	17,329,937	17,329,937	-	-
	<u>17,329,937</u>	<u>17,329,937</u>	<u>17,329,937</u>		

On the balance sheet date, the company has cash and bank balances of Rs.44.34 million (2020: 24.96 million) for repayment of liabilities.

20.2.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, management manages market risk by monitoring exposure on marketable securities by following the internal risk management and investment policies and guidelines.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Currently there is no currency risk as all financial assets and liabilities are in PKR.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk. The company is not exposed to interest rate risk as there is no interest based liability or asset.

Other price risk

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

The company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The company manages the equity price through diversification and all instruments are made through surplus funds.

The company is exposed to other price risk on investment in listed shares. The company manages the risk through portfolio diversification, as per recommendation of Investment committee of the company. The committee regularly monitors the performance of investees and assess the financial performance on on-going basis.

The 10 percent increase/(decrease) in market value of these instruments with all other variables held constant impact on profit and loss account of the company is as follows:

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	Before Tax	
	10% Increase	10% Decrease
as at 30th June 2021	3,019,086	(3,019,086)
as at 30th June 2020	<u>2,095,716</u>	<u>(2,095,716)</u>

20.3 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 value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

The company hold listed assets amounting to Rs 54.33 million (2020: 31.6 million) that are recorded at quoted price.

20.4 Capital risk management

The Company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

21 CAPITAL ADEQUACY LEVEL

Total Assets	155,616,885	110,112,098
Less: Total Liabilities	(36,691,318)	(17,329,937)
Less: Revaluation Reserves	-	-
Capital Adequacy Level	<u>118,925,567</u>	<u>92,782,161</u>

While determining the value of total assets of TREC holder, the Notional value of the TREC held by Nael Capital (Private) Limited as at year ended 30th June 2021 determined by Pakistan Stock Exchange has been considered.

21.1 NET CAPITAL BALANCE AND LIQUID CAPITAL BALANCE

21.1.1 Net Capital Balance As At 30th June 2021

DESCRIPTION	VALUATION BASIS	VALUE
<u>CURRENT ASSETS</u>		
Cash in hand	As per book value	16,555
Cash at bank	Bank balances pertaining to house	9,326,542
	Bank balances pertaining to client	35,000,911
		44,327,453
Deposits against exposure and losses		39,000,000
	As per book value	
Investment in Mutual funds		1,890,252
	As per Market value	
Trade Receivable	Book Value	3,866,703
	Less: overdue for more than 14 days	(3,318,282)
		548,421
Investment in Listed Securities in the name of broker	Market value	9,034,165
	Less: 15% discount	(1,355,125)
		7,679,040
Securities purchased for client	Securities purchased for the client and held by the member where the payment has not been received within 14 days.	145,742
		93,607,463
<u>CURRENT LIABILITIES</u>		
Trade Payable	Book value	35,012,311
	Less: Overdue for more than 30 days	(7,327,235)
		27,685,076
Other liabilities	Overdue for more than 30 days	7,327,235
	As classified under the generally accepted accounting principles.	1,679,007
		9,006,242
Net Capital Balance As At 30th June 2021		56,916,145

21.1.2 Liquid Capital Balance As At 30th June 2021

s.no	Head of Account	Value in Pak Rupees	Hair Cut / Adjustment	Net Adjusted Value
1.	Assets			
1.1	Property & Equipments	1,271,437.00	1,271,437.00	-
1.2	Intangible Assets	3,600,000	3,600,000	-
1.3	Investment in Govt. Securities	-	-	-
1.4	Investment in Debt Securities	-	-	-
1.5	Investment in equity Securities			
	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher	9,034,165	1,355,125	7,679,040
	ii. If unlisted, 100% of carrying value.	-	-	-
	iii. Subscription money against investment in IPO/offer for Sale. Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.	-	-	-
	iv. 100% Haircut shall be applied to Value of investment in any asset including shares of listed securities that are in Block, Freeze or Pledge status as on reporting date. (July 19, 2017) Provided that 100% haircut shall not be applied in case of investment in those securities which are Pledged in favor of Stock Exchange / Clearing House against Margin Financing requirements or pledged in favor of Banks against Short Term financing arrangements. In such cases, the haircut as provided in schedule III of the Regulations in respect of investment in securities shall be applicable (August 25, 2017)	43,387,881	-	-
1.6	Investment in subsidiaries	-	-	-
1.7	Investment in associated companies/undertaking	-	-	-
1.8	Statutory or regulatory deposit/basic deposits with exchanges, clearing house or central depository, or any other entity.	2,210,000	2,210,000	-
1.9	margin deposit with exchange & clearing house	39,000,000	-	39,000,000
1.10	Deposit with authorized intermediary against borrowed securities under SLB	-	-	-
1.11	Other Deposits & Preparations	-	-	-
1.12	Accrued Interest, profit or mark-up on amounts placed with financial institutions or debt securities	-	-	-
1.13	Dividend receivables	-	-	-
1.14	Amount receivable against Repo financing	-	-	-
1.15	Receivable other than trade receivable	7,512,438	7,512,438	-
1.16	Receivable from clearing house or securities exchange	-	-	-
1.17	Receivable from customers			
	i. In case receivables are against margin financing, the aggregate of (i) value of securities held in the blocked account after applying VaR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. <i>i. Lower of net balance sheet value or value determined through adjustments.</i>	-	-	-
	ii. In case receivables are against margin trading, 5% of the net balance sheet value. <i>ii. Net amount after deducting haircut</i>	-	-	-
	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPI, as collateral upon entering into contract. <i>iii. Net amount after deducting haircut</i>	-	-	-
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. <i>iv. Balance sheet value *</i>	273,968	-	273,968
	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. <i>v. Lower of net balance sheet value or value determined through adjustments</i>	3,592,734	3,444,023.28	148,711
	vi. 100% haircut in the case of amount receivable from related parties.	-	-	-
1.18	Cash & bank Balances	46,234,259	-	46,234,259
1.19	Total Assets	156,116,883	19,393,023	93,555,978

	i. Payable against leveraged market products	-	-	-
	ii. Payable to customers	35,012,311	-	35,012,311
2.3	Current Liabilities			
	i. Statutory and regulatory dues	782,240	-	782,240
	ii. Accruals and other payables	896,767	-	896,767
	iii. Short-term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long term liabilities	-	-	-
	vi. Deferred Liabilities	-	-	-
	vii. Provision for bad debts	500,000	-	500,000
	viii. Provision for taxation	-	-	-
	ix. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.3	Non current liabilities			
	i. Long-Term financing	-	-	-
	a. Long-Term financing obtained from financial institution: Long term portion of financing obtained from a financial institution including amount due against finance lease	-	-	-
	b. Other long-term financing	-	-	-
	ii. Staff retirement benefits	-	-	-
	iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if a. The existing authorized share capital allows the proposed enhanced share capital b. Board of Directors of the company has approved the increase in capital c. Relevant Regulatory approvals have been obtained d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e. Auditor is satisfied that such advance is against the increase of capital.	-	-	-
	iv. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.4	Subordinated loans			
2.5	Total Liabilities	37,191,318	-	37,191,318
3.	Ranking Liabilities relating to			
3.1	Concentration in margin financing			
3.2	Concentration in securities lending & borrowing			
3.3	Net underwriting Commitments			
3.4	Negative equity of subsidiary			
3.5	Foreign exchange agreements and foreign currency positions			
3.6	Amount Payable under REPO			
3.7	Repo adjustment			
3.8	Concentrated proprietary positions	4,245,488.1	-	4,245,488.1
3.9	Opening positions in futures and options			
3.10	Short sell positions			
3.11	Total Ranking Liabilities	4,245,488.1	-	4,245,488.1
	Total	114,680,076.6	-	51,899,171.5

22. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related Parties Comprise of associated companies, directors, key management personnel and close family members of the directors. Transactions with related parties may be carried out at negotiated rates. Remuneration and benefits to executives of the company are in accordance with the terms of their employment.

Details of transactions and balances with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

	2021	2020
	<i>Rupees</i>	
Remuneration to Directors	6,232,000	5,150,400
Remuneration to Chief Executive Officer	4,559,000	1,896,000
	<u>10,791,000</u>	<u>7,046,400</u>

23. NUMBER OF EMPLOYEES

Number of employees

Total number of employees at 30 June

12

12

24. DATE OF AUTHORIZATION

These financial statements have been authorized for issue on 01 OCT 2021 by the Board of Directors of the company.


25. GENERAL

Figures have been rearranged and reclassified wherever necessary, for the purpose of comparison and have been rounded off to the nearest Rupee.

7



Chief Executive



Director



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UHY INTERNATIONAL

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