

MGM SECURITIES (PVT) LIMITED

Financial Statements

For the Year Ended 31 December 2022

MGM SECURITIES (PVT) LIMITED
Statement of Financial Position
As at 31 December, 2022

	Note	Dec. 2022 Rupees	June 2022 Rupees
ASSETS			
Non-current assets			
Property and equipment	5	10,106,945	10,481,819
Intangible assets	6	2,500,000	2,500,000
Long term investments	7	16,406,874	16,406,874
Long term deposits	8	5,808,500	5,808,500
		34,822,318	35,197,193
Current assets			
Trade debts-net	9	4,340,328	4,466,302
Prepayments & advances	10	24,971,964	28,546,337
Cash and bank balances	11	55,926,063	49,729,834
		85,238,355	82,742,473
		120,060,673	117,939,666
EQUITY & LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid-up capital	12	50,000,000	50,000,000
Capital Reserve			
Unrealized surplus / (deficit) on re-measurement of investments measured at FVOCI		17,369,180	17,369,179
Revenue reserve			
Unappropriated profit		22,532,249	21,229,074
Total equity		89,901,429	88,598,253
Liabilities			
Non-Current Liabilities			
Lease Liability	13	3,013,284	3,766,630
Current liabilities			
Trade and other payables	14	25,665,223	24,094,046
Current Portion of Lease Liability	13	1,480,737	1,480,737
Current tax liability	15	-	-
		27,145,960	25,574,783
Contingencies and commitments			
	16	-	-
		120,060,673	117,939,666

The annexed notes from 1 to 35 form an integral part of these financial statements.

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MGM SECURITIES (PVT) LIMITED

Statement of Profit or Loss

For the year ended December 31, 2022

	Note	Dec. 2022 Rupees	June 2022 Rupees
Operating revenue	17	6,516,792	14,704,715
Gain/(loss) on sale of short term investments		-	-
Unrealized gain/(loss) on remeasurement of investments classified at FVTPL		-	-
		<u>6,516,792</u>	<u>14,704,715</u>
Other income and losses	18	2,841,353	4,002,094
Operating and administrative expenses	19	<u>(7,612,768)</u>	<u>(15,937,885)</u>
Operating profit / (loss)		1,745,377	2,768,924
Finance costs	20	<u>(442,202)</u>	<u>(466,365)</u>
Profit / (loss) before taxation		1,303,175	2,302,559
Income tax expense	21	-	(875,638)
		<u>1,303,175</u>	<u>1,426,921</u>
Profit/(loss) for the year		1,303,175	1,426,921
Earnings/(loss) per share - basic	22	2.61	2.85

The annexed notes from 1 to 35 form an integral part of these financial statements.

Notes

Chief Executive Officer



Director

MGM SECURITIES (PVT) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended December 31, 2022

6 INTANGIBLE ASSETS

	Note	Dec. 2022 Rupees	June 2022 Rupees
Trading Rights Entitlement Certificate ("TREC")	6.1	2,500,000	2,500,000
LSE Room Rights		-	-
		<u>2,500,000</u>	<u>2,500,000</u>
Impairment	6.2	-	-
		<u>2,500,000</u>	<u>2,500,000</u>

6.1 Pursuant to the Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012, stock exchanges operating as guarantee limited companies were converted to public limited companies. Ownership rights in exchanges were segregated from the right to trade on an exchange. As a result of such demutualization and corporatization, the Company received shares of the relevant exchange and a Trading Rights Entitlement Certificate ("TREC") against its membership card.

The TREC has been recorded as an indefinite-life intangible asset pursuant to the provisions and requirements of IAS 38. As the TREC is not a commonly tradable instrument, the value approved by the Board of Directors of the Pakistan Stock Exchange Limited ("PSX") post-mutualization was used as the initial value of the intangible. The TREC, which has been pledged with the PSX to meet Base Minimum Capital ("BMC") requirements, is assessed for impairment in accordance with relevant approved accounting standards.

6.2 Vide its notice dated November 10, 2017, the PSX revised the notional value of the TREC to PKR 2.5 million. As a result, no Impairment requires during fiscal 2021.

7 LONG-TERM INVESTMENTS

Investments at fair value through OCI

LSE Financial Services Limited (unquoted) - at fair value	7.1	20,533,912	19,605,540
Adjustment for remeasurement to fair value		(4,127,038)	928,372
		<u>16,406,874</u>	<u>20,533,912</u>

7.1 As a result of the demutualization and corporatization of stock exchanges as detailed in note 6.1, the Company received 843,975 shares of LSE Financial Services Limited. Of these, 60% (506,385 shares) were held in a separate Central Depository Company Limited ("CDC") sub-account, blocked until they are sold to strategic investors, financial institutions and/or the general public. The remaining shares (40% of total, or 337,590 shares) were allotted to the Company.

These shares are neither listed on any exchange nor are they actively traded. As a result, fair value has been estimated by reference to the latest break-up or net asset value per share of these shares notified by LSE Financial Services Limited (PKR 19.44/ per share, compared to PKR 24.33 / per share as at June 30, 2021). Remeasurement to fair value resulted in a loss of PKR (4,127,038)(2021: PKR 928,372).

8 LONG-TERM DEPOSITS

Central Depository Company Limited	-	-
National Clearing Company of Pakistan Limited	1,400,000	1,400,000
Pakistan Stock Exchange Clearing House Deposit	30,000	30,000
Security Deposit on Lease	4,297,500	4,297,500
Rent Security	81,000	81,000
	<u>5,808,500</u>	<u>5,808,500</u>

9 TRADE DEBTS-NET

Considered good	9.1	4,340,328	4,466,302
Considered doubtful		1,148,514	866,041
		<u>5,488,841</u>	<u>5,332,343</u>
Less: Provision for doubtful debts	9.2	(1,148,514)	(866,041)
		<u>4,340,328</u>	<u>4,466,302</u>

9.1 The Company holds client-owned securities with a total fair value of PKR 22,603,657(2021: PKR 93,774,163) as collateral against trade debts. Refer to note 4.7 for details around the Company's methodology for computing estimated credit losses under the expected loss model under IFRS 9.

Trade debts include PKR.767,050 receivable from related parties.

9.2 Movement in provision against trade debts is as under:

Note	2022 Rupees	2021 Rupees
Opening balance (as at July 1)		
Charged to profit and loss during the year	866,041	583,568
	282,473	282,473
Amounts written off during the year	1,148,514	866,041
Closing balance (as at June 30)	-	-
	1,148,514	866,041

10 PREPAYMENTS & ADVANCES

Exposure margin with NCCPL		
Balance due from NCCPL	10,800,000	10,800,000
Other receivable	10,772,164	15,362,837
Staff advances - unsecured, considered good	23,650	-
Income Tax refundable	1,420,500	1,369,000
	1,973,220	1,014,500
	24,989,534	28,546,337

10.1 INCOME TAX REFUNDABLE

Opening balance (as at July 1)		
Add: Current year additions	-	-
	1,973,220	5,558,255
Less: Adjustment against previous year provision for taxation	1,973,220	5,558,255
	-	(4,543,755)
	1,973,220	1,014,500

11 CASH AND BANK BALANCES

Cash in hand		
Cash at bank	10,107	12,979
Client account		
House account	11.1	
	27,735,678	21,369,221
	28,180,278	28,347,635
	55,926,063	49,729,834

11.1 Cash at bank includes customers' assets in the amount of PKR 21,369,221 (2021: 37,268,593) held in designated bank accounts.

12 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

12.1 Authorized capital 600,000 (2021: 600,000) ordinary shares of PKR 100 each.	60,000,000	60,000,000
12.2 Issued, subscribed and paid-up share capital issued for cash, and 150,000 (2021: 165,000) ordinary shares issued as bonus shares	50,000,000	50,000,000
12.3 Shareholders holding 5% or more of total shareholding	50,000,000	50,000,000

	Number of Shares		Percentage	
	2022	2021	2022	2021
Mian Ghulam Muhiuddin	297,297	297,297	59%	59%
Zia Mohuddin	5,406	5,406	1%	1%
Syed Hassan Iqbal	191,981	191,891	38%	38%
Mrs. Nagina Akhter	5,406	5,406	1%	1%

13 LEASE LIABILITY

Note	2022 Rupees	2021 Rupees
Lease liability (Vehicle)		
Non Current Portion	4,494,021	5,247,367
Current Portion	3,013,284	3,766,630
	1,480,737	1,480,737
13.1 Maturity analysis of lease liability		
Upto 1 Year		
1-5 years	1,480,737	1,480,737
More than 5 years	3,013,284	3,766,630
	-	-
	4,494,021	5,247,367

13.2 Following is the carrying amount of lease liabilities and the movement during the year:

Balance as at July 01	-	-
Initial Recognition	-	-
Interest Expenses	6,438,084	6,438,084
Payments	(436,276)	(446,947)
Balance as at June 30	(743,770)	(743,770)
	5,258,038	5,247,367
Markup up Out standing	3,286,423	3,286,423

13.3 Finance Cost on Lease liabilities for the year ended June 30, 2022 was Rs: 446,947. Total cash outflow for lease was Rs: 743,770. the rate of return implicit rate in the lease is 18.49%

13.4 During the year, Company has paid an Advance /Security Deposit amounting to Rs. 4.2975 Million out of Rs: 10.75 7Million for the purchase of two vehicles.

14 TRADE AND OTHER PAYABLES

Trade creditors		
Staff welfare fund	14.1	25,212,736
Tax payable		23,478,835
Auditor's remuneration payable		200,936
Worker welfare fund -Punjab		110,953
Other payables		184,781
		-
		100,000
		140,598
		-
		25,665,223
		24,094,046

14.1 This includes Syed Hassan Iqbal PKR Nil (2021: 122) payable from related parties.

15 CURRENT TAX LIABILITY

Opening balance (as at July 1)		
Add: Current year provision	3,668,117	-
	296,004	7,121,916
	3,964,121	7,121,916
Less: Adjustments against Current/previous year advance tax	(3,964,121)	(3,453,799)
Balance at the end of the year	-	3,668,117

16 CONTINGENCIES AND COMMITMENTS

16.1 There are no contingencies or commitments of the Company as at June 30, 2022 (2021: Nil).

17 OPERATING REVENUE

Brokerage income		
Dividend income	17.1	6,516,792
		13,312,156
		1,392,559
		6,516,792
		14,704,715
17.1 Commissions earned - gross		6,605,244
Commissions reimbursement		(88,452)
		6,516,792
		14,579,541
		(1,267,385)
		6,516,792
		13,312,156

18 OTHER INCOME / LOSSES

Note	2022 Rupees	2021 Rupees
Income from non-financial assets/liabilities		
Other income	2,841,353	3,654,532
Gain against sale of Intangible assets	-	347,562
Reversal of Provision for doubtful debts	-	-
	<u>2,841,353</u>	<u>4,002,094</u>

19 OPERATING & ADMINISTRATIVE EXPENSES

Staff salaries, allowances and other benefits		2,513,400	5,233,714
Director's remuneration		2,776,000	5,352,000
EOBI Contribution		15,060	23,400
Electricity and communication charges		254,438	374,069
Postage and telegram		33,259	81,977
Entertainment		192,606	318,592
Legal & Professional Charges		-	340,750
Provision for doubtful debts		282,473	282,473
Auditors' remuneration	19.1	-	200,000
Rent, rates and taxes		143,502	271,786
Printing and stationery		41,770	64,515
Repair and maintenance		150,024	398,970
Fee and subscription		399,044	899,128
NCCPL & Trading Charges		234,699	695,191
Insurance expenses		85,268	311,643
Charity & Donations		15,100	55,450
Investor Port Fund		26,300	57,483
Miscellaneous expenses		40,950	81,608
Depreciation	5	408,875	895,136
		<u>7,612,768</u>	<u>15,937,885</u>

19.1 Auditor's remuneration

Statutory audit	-	200,000
Certifications and other charges	-	-
	<u>-</u>	<u>200,000</u>

20. FINANCE COSTS

Mark-up and finance charges	436,276	446,947
Bank and other charges	5,926	19,418
	<u>442,202</u>	<u>466,365</u>

21. INCOME TAX EXPENSE

Current tax expense / (income)		
for the year		875,638
Prior Year		-
	<u>-</u>	<u>875,638</u>

The tax provision made in the financial statements is considered sufficient.

22. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit after tax for the year by the weighted average number of shares outstanding during the period, as follows:

Profit / (loss) after taxation, attributable to ordinary shareholders	1,303,175	1,426,921
Weighted average number of ordinary shares in issue during the year	500,000	500,000
Earnings per share	2.61	2.85

No figure for diluted earnings per share has been presented as the Company has not issued any dilutive instruments carrying options which would have an impact on earnings per share when exercised.

23. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including benefits, to the chief executive, directors and executives of the Company as per the terms of their employment are as follows:

	Dec. 2022		June 2022	
	Chief Executive	Directors	Chief Executive	Directors
Rupees.....			
Managerial remuneration	714,000	1,962,000	1,194,000	3,162,000
Bonus	-	-	900,000	1,800,000
	714,000	1,962,000	2,094,000	4,962,000

Chief Executive and directors are provided with the Company's maintained cars. The approximate value of this benefit is Rs.5,424,248 (2021: Rs. 2,249,090).