

**FAIRWAYS SECURITIES (PVT) LTD**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2020**

## DIRECTORS' REPORT

The Board of Directors of Fairway Securities (Private) Limited ("the Company" or "Fairway") is pleased to present the Annual Report of 2020 along with the audited financial statements of the Company for the year ended June 30, 2020. Fairway is a leading brokerage house of Pakistan that provides stock brokerage services to a substantial and diversified clientele that includes Government institutions, private sector corporations, retail clients and high net worth individuals.

### Overall Economy

Due to COVID-19 pandemic, both production and retail activities came near to a standstill towards the end of the financial year and led to a significant contraction in economic activity.

Pakistan's real GDP was provisionally estimated to record a negative growth i.e. -0.4% for FY20 as compared to 1.9% for FY 2019, mainly due to the shocks of COVID-19 pandemic. As expected in most other countries, this contraction in Pakistan's GDP is due to a decline in output of industrial and services sectors. In addition to this factor our country's growth had been compromised due to increasing inflation and our reliance on external debt which is primarily used to service the existing liabilities.

Prior to the lockdowns, the industrial sector's performance continued to improve during the first two months of Q3-FY20 on account of gradual improvements in large scale manufacturing (LSM). While recovery in food and fertilizers helped, improved growth in exportable subsectors such as, textiles, leather and cement generated much of the momentum.

However, COVID-19 related disruptions during March FY20 adversely affected the nascent recovery in LSM as its growth declined by 22.0 percent on month-on-month basis. LSM sector decreased to -7.78% in FY 20 as compared to -2.6% in FY 19. The services sector declined to -0.59% in FY20 vs. 3.8% in FY19. Industrial sector decreased to -2.6% vs. -2.3% in FY19. Nevertheless, the agriculture sector remained largely immune from the impact of COVID-19 and posted positive growth during FY20. The Agriculture sector has seen a growth of 2.67% during FY20 as compared to 0.6% in FY19.

The fiscal deficit of Pakistan decreased to 7.5% of GDP during FY 20 as compared to 9.1% of GDP in FY 19. Within FBR taxes, the overall revised budgeted revenue target has been achieved by the FBR. The main revenue target could not be achieved due to outbreak of novel coronavirus (COVID-19) and a major contributor of poor performance of exporting industries, agriculture and investment in the economy.

The tax to GDP ratio in FY20 was also significantly slipped to 11.4% in 2019-20, compared to 11.8% in 2018-19 and 12.9% in 2017-18. The FBR collected Rs 3.9 trillion during FY 20 to surpass the Rs 3.9 trillion target that was revised multiple times. However, the collection was much lower to the actual target of Rs 5.5 trillion.

On the external front, the current account deficit during Jul-Mar FY20 receded to only a quarter of last year's level. This was particularly led by a steep reduction in energy imports on account of lower international oil prices coupled with lower domestic demand, a decent growth in workers' remittances, and a significant reduction in the services deficit. The improvement in current account deficit along with multilateral financial inflows and some increase in foreign investments thus added to the SBP's FX reserves, which increased to US\$ 18.8862 billion in FY20 against US\$ 14.4816 billion in FY19.

## Stock Market

The Pakistan Stock Exchange became operational on January 11, 2016 after the merger of three stock exchanges Lahore Stock Exchange, Islamabad Stock Exchange & Karachi Stock Exchange but no major positive impact could be witnessed as it was envisaged from the merger of the three entities mostly because major trading was already being done at Karachi stock exchange.

The Pakistan Stock Exchange only increased by 521 points during the financial year under the strict regulatory measures and outbreak of novel coronavirus (COVID-19). The average traded volume during the year stood at 33.59 billion shares valuing Rs.1.52 trillion as compared to last year traded volume of 23.58 billion shares valuing Rs.1.275 trillion. Apart from key blue chips, few side board scripts gain investors' attention owing to their improving fundamentals during the period under review.

In December 2016, a consortium led by the China Financial Futures Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange won the bid to purchase a 40% stake in the Pakistan Stock Exchange. There is considered as a welcome development on long term basis and is expected to lead to increased interest from China's investors in Pakistan's equity markets.

The Pakistan Stock Exchange witnessed overall bullish momentum during the year, however the bearish trend in the third quarter of the financial year resulted due to outbreak of novel coronavirus 2019 (COVID-2019).

## COMPANY'S PERFORMANCE

Given below is the financial summary of the Company, for the year ended June 30, 2020.

	2020	2019
Brokerage and operating income	8,440,040	3,851,869
Profit/ (Loss) after tax	(1,730,788)	(24,817,682)
Earnings Per Share (EPS)	(0.17)	(2.48)

The revenues of the company have improved substantially despite strict regulatory measures taken by the Pakistan Stock Exchange, Securities & Exchange Commission of Pakistan, monetary tightening in response to correct the balance of payments and reduce the overall loan burden from economy. The losses for the year could be mainly attributed to the high financial charges, however have decreased with respect to the last year. The company's management is taking strict measures in order to reduce the financial charges through addressing debt equity structure of the company. The novel coronavirus (COVID-19) also played a vital role in slowing down the economy and reducing the business atmosphere.

The management of the company is hopeful to increase revenues in next financial year due to amendments in existing laws, regulations and familiarization of new laws relating to Anti-Money Laundering.

## FUTURE OUTLOOK

We are expecting improvement in the economy and better activity in capital markets. The management of the Company is committed to increase revenues and reduce business costs by aggressive marketing and taking strict financial measures.

**PAYOUT FOR THE SHAREHOLDERS**

Considering the above stated factors, the Board of Directors does not recommend any payout this year.



Chief Executive

October 7, 2020



