

AL-HAQ SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019

Assets	Note	March 31, 2019	June 30, 2018
----- Rupees -----			
Non current assets			
Operating fixed assets	6	466,173	405,134
Intangible assets	7	9,600,000	9,600,000
Long term investment	8	14,887,719	14,887,719
Security deposits	9	7,550,000	8,850,000
		<u>32,503,892</u>	<u>33,742,853</u>
Current assets			
Short term investments	10	6,484,753	14,122,958
Due from clients	11	25,650,111	16,594,130
Advances and other receivables	12	900,650	939,900
Tax deducted at source		6,998,104	8,726,856
Cash and bank balances	13	43,512,678	62,709,429
		<u>83,546,296</u>	<u>103,093,271</u>
Total Assets		<u>116,050,188</u>	<u>136,836,124</u>
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital			
1000,000 ordinary shares of Rs.100 each		100,000,000	100,000,000
Issued, subscribed and paid-up capital			
608,410 ordinary shares of Rs.100 each		60,841,000	60,841,000
Unappropriated profit		2,705,266	6,249,706
		<u>63,546,266</u>	<u>67,090,706</u>
Liabilities			
Current liabilities			
Trade and other payables	14	32,503,922	65,061,675
Short term finance	15	20,000,000	146,715
Accrued mark-up		-	252
Taxation	16	-	4,536,776
		<u>52,503,922</u>	<u>69,745,418</u>
Total Liabilities		<u>52,503,922</u>	<u>69,745,418</u>
Contingencies and commitments	17		
Total Equity and Liabilities		<u>116,050,188</u>	<u>136,836,124</u>

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


 Chief Executive




 Director

AL-HAQ SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED MARCH 31, 2019

	Note	Mar 31, 2019	June 30, 2018
		----- Rupees -----	
Operating revenue	18	4,838,723	7,311,367
Loss on sale of short term investments - net		(2,772,726)	(10,016,821)
Fair value loss on remeasurement of investments through profit or loss		(1,147,784)	(3,730,397)
Other income	19	2,582,863	3,250,219
		<u>3,501,076</u>	<u>(3,185,632)</u>
Administrative and operating expenses	20	(6,651,299)	(8,173,996)
Other expenses	21	-	(515,083)
Financial charges	22	(269,317)	(154,595)
Loss before taxation		<u>(3,419,540)</u>	<u>(12,029,306)</u>
Taxation	16		
- current		-	(4,536,776)
- prior year		(124,900)	209,756
		<u>(124,900)</u>	<u>(4,327,020)</u>
Loss after taxation		<u>(3,544,440)</u>	<u>(16,356,326)</u>
Other Comprehensive Income		-	-
Total Comprehensive Loss		<u>(3,544,440)</u>	<u>(16,356,326)</u>

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


 Chief Executive



Director



**AL-HAQ SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2019**

	Share capital	Share deposit money	(Accumulated loss) / Unappropriated profit	Total
	----- Rupees -----			
Balance as at July 01, 2017	60,841,000	14,900,000	22,606,032	98,347,032
Total comprehensive loss for the year ended June 30, 2018	-	-	(16,356,326)	(16,356,326)
Repayment of Share deposit money	-	(14,900,000)	-	(14,900,000)
Balance as at June 30, 2018	60,841,000	-	6,249,706	67,090,706
Total comprehensive loss for the period ended March 31, 2019	-	-	(3,544,440)	(3,544,440)
Balance as at March 31, 2019	60,841,000	-	2,705,266	63,546,266

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


Chief Executive



Director



**AL-HAQ SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019**

1. LEGAL STATUS AND OPERATIONS

Al-Haq Securities (Private) Limited (the Company) was incorporated in Pakistan as a Private Company Limited by shares under the Companies Ordinance, 1984 (now the Companies Act, 2017) on May 25, 2006. The Company is a Trading Right Entitlement Certificate holder of the Pakistan Stock Exchange Limited. The Company is principally engaged in shares brokerage & trading business. The registered office of the Company is situated at Room No.405/407, LSE Building, Lahore.

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; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for investments, which are carried at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the functional currency of the Company and figures are rounded off to the nearest rupees unless otherwise stated.

3. Changes in accounting standards, laws and interpretations

3.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

- (a) Amendments to IAS 7, 'Statement of cash flows'. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments only resulted in some additional disclosures in the Company's financial statements.
- (b) IAS 12 'Income taxes' (Amendment), on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. Further, there are no debt instruments measured at fair value. The Company's current accounting treatment is already in line with the requirements of this standard.

- (c) The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual financial statements of the Company. Further, the disclosure requirements contained in the fifth schedule to the Act have been revised, resulting in the incorporation of significant additional disclosures and elimination of duplicative disclosures with the IFRS disclosure requirements.

3.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after July 01, 2018 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- (a) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 01, 2018. IASB has published the complete version of IFRS 9, 'Financial Instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Company has yet to assess the impact of these changes on its financial statements.
- (b) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 1, 2018. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is assessing the impact of this standard on its financial statements.
- (c) IFRS 16, 'Leases' is applicable to accounting periods beginning on or after January 1, 2019. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all the leases on the reporting date. This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessor will not significantly change. Some differences may arise as a result of the new guidance on the definition of lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has yet to assess the impact of this standard on its financial statements.

There are a number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and, therefore, have not been presented here.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- (i) Estimate of useful lives and residual values of depreciable assets and provision for impairment there against [note 5.1];
- (ii) Classification and valuation of investments [note 5.3];
- (iii) Provision for taxation [note 5.7] and
- (iv) Provisions [note 5.8].

5. SUMMARY SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted 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.

5.1 Operating fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to income by applying reducing balance method at the rates specified in note 6. Depreciation on additions to fixed assets is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is disposed off.

Normal repairs and replacements are taken to statement of profit or loss. Major improvements and modifications are capitalised and assets replaced, if any, other than those kept as stand-by, are retired.

Gain / loss on disposal of fixed assets, if any, is taken to statement of profit or loss.

5.2 Intangible assets

Trading Right Entitlement Certificate

In the absence of active market price, Trading Right Entitlement Certificate has been carried at the same value that was determined when the membership card of Lahore Stock Exchange Limited was swapped under the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 with the shares of Lahore Stock Exchange Limited and Trading Right Entitlement Certificate after changing of impairment, if required (note 7.1).

5.3 Investments

(a) Available for sale

Investments, which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale.

Subsequent to initial recognition these are re-measured to fair value, with any resultant gain or loss being recognised in other comprehensive income. Gains or losses on available for sale investments are recognised in other comprehensive income until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in other statement of comprehensive income is reclassified to statement of profit or loss.

The Company uses latest stock exchange quotations to determine the fair value of its quoted investments.

(b) At fair value through profit and loss

These are held for trading purpose. An investment is classified in this category if acquired principally for the purpose of selling in the short-term. Investments in this category are classified as current assets. These are stated at fair value with any resulting gain or losses recognised directly in statement of profit or loss.

5.4 Impairment losses

The carrying amounts of the Company's assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

5.5 Cash and cash equivalents

Cash and cash equivalents are carried in the reporting date. For the purpose of cash flow statement, cash and cash equivalents consist of cash-in-hand and balances with banks.

5.6 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

5.7 Taxation**(a) Current and prior year**

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantially enacted by reporting date and is based on current rates of taxation being applied on the taxable income for the year, after taking into account, tax credits and rebates available, if any. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalised during the year.

(b) Deferred

Deferred tax is recognised using the statement of financial position liability method on all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

5.8 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

5.9 Borrowings and borrowing costs

All borrowings are recorded at the proceeds received. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which these are incurred.

5.10 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- brokerage income is accounted for on 'accrual basis'.
- capital gains and losses on sale of investments are recorded on the date of sale.
- dividend income is accounted for when the right of receipt is established.

5.11 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the statement of profit or loss for the year.

Financial instruments carried on the statement of financial position include deposits, due from clients, advances, investments, bank balances, trade and other payable and accrued mark-up. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

5.12 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

6. OPERATING FIXED ASSETS - tangible

	Furniture and fixtures	Office equipment	Total
	----- Rupees -----		
At July 1, 2017			
Cost	61,100	1,423,179	1,484,279
Accumulated depreciation	50,875	1,180,536	1,231,411
Net book value	10,225	242,643	252,868
Year ended June 30, 2018			
Opening net book value	10,225	242,643	252,868
Additions	-	211,050	211,050
Depreciation charge	1,534	57,250	58,784
Closing net book value	8,691	396,443	405,134
At June 30, 2018			
Cost	61,100	1,634,229	1,695,329
Accumulated depreciation	52,409	1,237,786	1,290,195
Net book value	8,691	396,443	405,134
Period ended March 31, 2019			
Opening net book value	8,691	396,443	405,134
Additions	-	61,039	61,039
Depreciation charge	-	-	-
Closing net book value	8,691	457,482	466,173
At March 31, 2019			
Cost	61,100	1,695,268	1,756,368
Accumulated depreciation	52,409	1,237,786	1,290,195
Net book value	8,691	457,482	466,173
Annual depreciation rate (%)	15	15	

7. INTANGIBLE ASSETS	Note	Mar-19 ----- Rupees -----	Jun-18 ----- Rupees -----
Trading Right Entitlement Certificate - PSX	7.1	5,000,000	5,000,000
Room at LSE building		4,600,000	4,600,000
		<u>9,600,000</u>	<u>9,600,000</u>
7.1	In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act), the Company received Trading Right Entitlement Certificate (TREC) and equity shares of LSE Financial Services Ltd. (formerly Lahore Stock Exchange Ltd.) in lieu of its membership card of Lahore Stock Exchange Ltd. The Company's entitlement in respect of shares of LSE Financial Services Ltd. was determined on the basis of the valuation of assets and liabilities of Lahore Stock Exchange Ltd. as approved by the SECP. The Company has been allotted with 843,975 shares of LSE Financial Services Ltd., having face value of Rs.10 each.		
7.2	As at June 30, 2013 the active market value of TREC and equity shares of LSE Financial Services Ltd. was not available. The allocation of the carrying amount of membership card to the composite assets i.e. TREC and equity shares was made on proportionate basis at ratio of 32:68 which was determined on the basis of fair value estimate of LSE Financial Services Ltd.		
8. LONG TERM INVESTMENT			
	These represent 843,975 (2017: 843,975) ordinary shares of Rs.10 each of LSE Financial Services Ltd. In the absence of active market value, these shares have been carried at the value as determined at the time of receipt of these shares under the swap scheme (note 7.2).		
9. SECURITY DEPOSITS			
	Deposits with:		
		5,700,000	7,000,000
		1,100,000	1,100,000
		750,000	750,000
		<u>7,550,000</u>	<u>8,850,000</u>
10. SHORT TERM INVESTMENTS - held for trading			
		6,484,753	14,122,956
		<u>6,484,753</u>	<u>14,122,956</u>
10.1			
11. DUE FROM CLIENTS-Unsecured	Note	Mar-19 ----- Rupees -----	Jun-18 ----- Rupees -----
Considered good		28,475,529	19,495,697
Less: provision for doubtful debts		(2,825,418)	(2,901,567)
		<u>25,650,111</u>	<u>16,594,130</u>
12. ADVANCES AND OTHER RECEIVABLES			
Advances to staff		803,500	843,000
Other receivables		97,150	96,900

		900,650	939,900
13. CASH AND BANK BALANCES			
Cash in hand		81,161	221,879
Cash at banks - current accounts			
- client accounts		32,128,734	62,466,140
- house accounts		11,302,783	21,410
		<u>43,512,678</u>	<u>62,709,429</u>
14. TRADE AND OTHER PAYABLES			
Trade creditors	14.1	32,106,372	64,751,933
Accrued expenses		116,056	190,575
Others		281,494	119,167
		<u>32,503,922</u>	<u>65,061,675</u>
14.1	These include an amount of Rs.0.725 million (2017: Rs.10.384 million) payable to Mr. Ammar Ul Haq (Director), against his normal trading activity.		
15. SHORT TERM FINANCE		Mar-19	Jun-18
		----- Rupees -----	
Running finance - secured		-	1,465
Temporary bank overdraft - unsecured		20,000,000	145,250
		<u>20,000,000</u>	<u>146,715</u>
	Short term running finance facility available from various commercial banks under mark-up arrangements aggregate Rs.70 million (2017: Rs 40 million).This finance facility, during the current financial year, carried mark-up at the rates ranging from 11.14% to 11.50% (2017:11.04% to 11.35%) per annum. This facility is secured against personal guarantee all Directors, hypothecation charge over receivables of the Company of Rs 54.00 million with 25% margin and mortgage of property measuring 2 kanals, located at House # 30,Block S, phase II, DHA Lahore Cantt owned by Ammar ul Haq and Asnan ul Haq (Directors) and lien over personal bank account of Ammar ul Haq (Director) amounting to Rs.34 million and 100% cash margin in shape of lien over deposit.		
16. TAXATION - net		Mar-19	Jun-18
		----- Rupees -----	
Opening balance		4,536,776	552,494
Add: provision made during the year for:			
- current		0	4,536,776
- prior year		124,899	(209,756)
		124,899	4,327,020
Less: adjusted against completed assessment		(4,861,675)	(342,738)
Closing balance		<u>0</u>	<u>4,536,776</u>
16.1	Provision for current year includes mainly tax on dividend income, commission income and capital gain under section 150, 233 and 37A respectively of the Income Tax Ordinance, 2001.		
16.2	Income tax assessments of the Company have been finalised by the Income Tax Department or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 upto the year ended June 30, 2017.		
17. CONTINGENCIES AND COMMITMENTS			
	There was no known contingent liability and commitment as at June 30, 2018 and June 30, 2017.		

18. OPERATING REVENUE	Note	Mar-19 ----- Rupees -----	Jun-18 ----- Rupees -----
Brokerage income:			
- retail customers		4,068,650	6,313,210
- proprietary trade		0	209,337
		<u>4,068,650</u>	<u>6,522,547</u>
Dividend income		770,073	766,820
		<u>4,838,723</u>	<u>7,311,367</u>
19. OTHER INCOME			
This represents profit earned on deposit account.			
20. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and benefits		2,490,917	2,912,900
Director's remuneration		1,080,000	1,320,000
Fees and subscription		192,239	136,840
Travelling and conveyance		23,890	27,220
Auditors' remuneration			
- statutory audit		0	63,000
- other certification charges		0	94,500
		0	157,500
Printing and stationery		88,139	104,626
Repair and maintenance		145,515	134,258
Entertainment		715,033	707,688
Postage and communication		307,351	440,430
Electricity		237,340	471,291
News paper & periodicals		9,824	10,976
LSE charges		513,203	43,786
CDC & clearing house charges		504,606	1,010,311
Depreciation	6	0	58,784
Legal & professional charges		95,765	67,790
Donations		13,200	15,500
Others		234,477	554,096
		<u>6,651,299</u>	<u>8,173,996</u>
21. OTHER EXPENSES		Mar-19 ----- Rupees -----	Jun-18 ----- Rupees -----
Provision for doubtful debts		-	515,083
22. FINANCIAL CHARGES			
Mark-up on short term finance		214,022	32,545
Bank charges		55,295	122,050
		<u>269,317</u>	<u>154,595</u>

AL HAQ SECURITIES (PRIVATE) LIMITED
PERIOD ENDED: Mar 31, 2019

	Furniture and fixtures	Office equipment	Total
	----- Rupees -----		
At July 1, 2017			
Cost	61,100	1,423,179	1,484,279
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