

**AL-HAQ SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2019**

		30-Sep-19	2019
		----- Rupees -----	
<b>Assets</b>	<b>Note</b>		
<b>Non current assets</b>			
Operating fixed assets	6	450,478	465,120
Intangible assets	7	9,600,000	9,600,000
Long term investment	8	14,887,719	19,158,233
Security deposits	9	2,150,000	2,250,000
		<u>27,088,197</u>	<u>31,473,353</u>
<b>Current assets</b>			
Short term investments	10	4,094,138	4,107,547
Due from clients	11	18,274,843	14,073,931
Advances and other receivables	12	830,200	842,255
Tax deducted at source		6,883,955	6,796,808
Exposure deposit		2,500,000	11,400,000
Cash and bank balances	13	42,440,656	24,042,163
		<u>75,023,792</u>	<u>61,262,704</u>
<b>Total Assets</b>		<u>102,111,989</u>	<u>92,736,057</u>
<b>Equity and Liabilities</b>			
<b>Share Capital and Reserves</b>			
Authorised capital			
1000,000 ordinary shares of Rs. 100 each		<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid-up capital			
608,410 ordinary shares of Rs. 100 each		<u>60,841,000</u>	<u>60,841,000</u>
Unrealised gain on remeasurement of investment at fair value through other comprehensive income		0	4,270,514
Revenue reserves - (accumulated loss) / unappropriated profit		<u>(2,426,234)</u>	<u>(1,976,972)</u>
		<u>58,414,766</u>	<u>63,134,542</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	41,313,081	18,350,044
Short term finance	15	-	8,200,000
Accrued mark-up		-	667,329
Taxation	16	2,384,142	2,384,142
		<u>43,697,223</u>	<u>29,601,515</u>
<b>Total Liabilities</b>		<u>43,697,223</u>	<u>29,601,515</u>
<b>Contingencies and commitments</b>	17		
<b>Total Equity and Liabilities</b>		<u>102,111,989</u>	<u>92,736,057</u>

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

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Chief Executive Officer

*[Signature]*



Director

*[Signature]*

**AL-HAQ SECURITIES (PRIVATE) LIMITED  
STATEMENT OF PROFIT OR LOSS &  
OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Note	30-Sep-19 ----- Rupees -----	2019
Operating revenue	18	988,545	6,283,283
Loss on sale of short term investments - net		-	(3,233,974)
Fair value loss on remeasurement of investments through profit or loss		-	(1,929,792)
Other income	19	813,972	3,558,453
		<u>1,802,517</u>	<u>4,677,970</u>
Administrative and operating expenses	20	(2,234,930)	(9,392,512)
Other expenses		-	-
Financial charges	21	(16,849)	(1,003,095)
<b>Loss before taxation</b>		<u>(449,262)</u>	<u>(5,717,637)</u>
<b>Taxation</b>			
- current			(2,384,142)
- prior year			(124,899)
	16	-	(2,509,041)
<b>Loss after taxation</b>		<u>(449,262)</u>	<u>(8,226,678)</u>
<b>Other Comprehensive Income</b>			
Items that will not be reclassified to statement of profit or loss			
Unrealised gain on remeasurement of investment at fair value through other comprehensive income		-	843,975
<b>Total Comprehensive Loss</b>		<u>(449,262)</u>	<u>(7,382,703)</u>

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

Chief Executive Officer

*Ahmad*

Director

*6/10/19*



**AL-HAQ SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	2019	2018
	----- Rupees -----	
<b>Cash flow from operating activities</b>		
Loss before taxation	(5,717,637)	(12,029,306)
Adjustments for non-cash charges and other items:		
Depreciation	69,053	58,784
Provision for doubtful debts	-	515,083
Dividend income	(877,860)	(788,820)
Reversal of provision for doubtful debt	(538,283)	-
Finance cost	942,690	32,545
Fair value loss on remeasurement of investments through profit or loss	1,929,792	3,730,397
<b>Loss before working capital changes</b>	<b>(4,192,245)</b>	<b>(8,481,317)</b>
<b>Effect on cash flow due to working capital changes</b>		
(Increase) / decrease in current assets:		
Short term investments	8,086,117	49,736,675
Due from clients	3,058,482	20,187,791
Advances, prepayments and other receivables	97,645	(233,900)
Exposure deposit	(4,400,000)	-
(Decrease) / increase in current liabilities:		
Trade creditors	(46,729,494)	(29,754,235)
Accrued and other liabilities	17,363	(36,523,197)
	<b>(39,869,887)</b>	<b>3,413,134</b>
<b>Cash used in operations</b>	<b>(44,062,132)</b>	<b>(5,068,183)</b>
Security deposits	(400,000)	2,000,000
Income tax paid	(2,731,627)	(4,747,205)
<b>Net cash used in operations</b>	<b>(47,193,759)</b>	<b>(7,815,388)</b>
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(129,039)	(211,050)
Repayment of share deposit money	-	(14,900,000)
Dividend received	877,860	788,820
<b>Net cash generated from / (used in) investing activities</b>	<b>748,821</b>	<b>(14,322,230)</b>
<b>Cash flow from financing activities</b>		
Short term finance - net	8,053,285	(318,155)
Finance cost paid	(275,613)	(318,431)
<b>Net cash generated from / (used in) financing activities</b>	<b>7,777,672</b>	<b>(636,586)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(38,667,266)</b>	<b>(22,774,204)</b>
<b>Cash and cash equivalents - at beginning of the year</b>	<b>62,709,429</b>	<b>85,483,633</b>
<b>Cash and cash equivalents - at end of the year</b>	<b>24,042,163</b>	<b>62,709,429</b>

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

Chief Executive Officer

*[Signature]*



Director

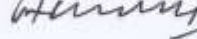
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AL-HAQ SECURITIES (PRIVATE) LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Share capital	Share deposit money	Unappropriated profit / (accumulated loss)	Remeasurement gain on investments at FVTOCI	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
Effect of reclassification of financial assets (note 4.2)	-	-	-	3,426,539	3,426,539
Balance as at July 01, 2018	60,841,000	-	6,249,706	3,426,539	70,517,245
Total comprehensive loss for the year ended June 30, 2019					
Loss for the year	-	-	(8,226,678)	-	(8,226,678)
Other comprehensive income	-	-	-	843,975	843,975
	-	-	(8,226,678)	843,975	(7,382,703)
Balance as at June 30, 2019	60,841,000	-	(1,976,972)	4,270,514	63,134,542
Loss for the year	-	-	(449,262)	-	(449,262)
Other comprehensive income	-	-	-	-	-
	-	-	(449,262)	-	(449,262)
Balance as at Sep 30, 2019	60,841,000	-	(2,426,234)	4,270,514	62,685,280

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

Chief Executive Officer




Director





**AL-HAQ SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 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. CHANGE IN ACCOUNTING STANDARDS 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, 2018 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) IFRS 15, 'Revenue from contracts with customers' which is effective for the annual period beginning on July 01, 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 recognize revenue representing the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
- (b) IFRS 9, 'Financial Instruments': this standard has been notified by the SECP to be effective for annual periods ending on or after June 30, 2019. This standard replaces the guidance in International Accounting Standard ('IAS') 39, 'Financial Instruments: Recognition and Measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- (c) IFRIC 22, 'Foreign currency transactions and advance consideration' applicable to accounting periods beginning on or after July 01, 2018. This interpretation clarifies the determination of the date of transaction for the exchange rate to be used on initial recognition of a related assets, expenses or income where an entity pays or receive consideration in advance for foreign currency denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which an entity recognizes the non-monetary assets or liability arising from the advance consideration. If there are multiple payments or receipts for one item a date of transaction should be determined as above for each payment or receipts. The impact of the interpretation is not considered to be material on the financial statements of the Company.

**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, 2019 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) IAS 23, 'Borrowing costs' is effective for accounting periods beginning on or after January 01, 2019. The amendment is part of the annual improvement 2015-2017 cycle. The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale - or any non-qualifying assets - are included in that general pool. The amendments are not likely to have material impact on the Company's financial statements.
- (b) IFRIC 23, 'Uncertainty over Income Tax Treatments': (effective for periods beginning on or after January 01, 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of the interpretation 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.

**3.3 Critical Accounting estimates and Judgement**

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 5.8] and

(iv) Provisions [note 5.9].

#### 4. CHANGE IN ACCOUNTING POLICY DUE TO ADOPTION OF NEW ACCOUNTING STANDARDS

##### 4.1 IFRS 9 'Financial Instruments'

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with irrevocable option at the inception to present changes in fair value in other comprehensive income, with no recycling. For financial liabilities, there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

##### 4.2 Impacts of adoption of IFRS 9 on these financial statements

As a result of application of IFRS 9, long term investments in equity securities amounting to Rs.14,887 million as at July 1, 2018 have been reclassified from 'cost model' to 'fair value through other comprehensive income'. In accordance with the transitional provisions of IFRS 9, comparative figures and its related gain has been reclassified in the opening statement of financial position.

Furthermore, all financial assets previously classified under the head 'loans and receivables' have now been classified as 'amortised cost'.

With the adoption of IFRS 9 the Company has amended its accounting policies accordingly; for revised policies refer note 5.3, 5.4 and 5.5 to these financial statements.

For detailed revised classification of financial instruments refer note 25 to these financial statements.

#### 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 Financial assets**

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

**Initial recognition and measurement of financial assets**

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit or loss.

**Equity instruments**

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1).

For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

- **Fair value through other comprehensive income (FVTOCI)**

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value. Reclassification of fair value gains and losses to unappropriated profits shall be made with in statement of changes in equity.

- **Fair value through profit or loss (FVTPL)**

Changes in the fair value of equity investments at fair value through profit or loss are recognized in other income in the statement of profit or loss as applicable.

Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

**Derecognition of financial assets**

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

**5.4 Financial liabilities**

Financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit or loss.



**5.5 Impairment of financial assets**

The adoption of IFRS 9 has also changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking expected credit loss (ECL) approach. The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further, applying the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables, are presented separately in the statement of profit or loss. Trade and other receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL. Based on the Company's experience, collection history, historical loss rates / bad debts and normal receivable aging, the shift from an incurred loss model to an ECL model has no material impact on the financial position and / or financial performance of the Company.

**5.6 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.

**5.7 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.

**5.8 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.

**5.9 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.

**5.10 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.

**5.11 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.

**5.12 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.

**5.13 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	58,875	1,180,538	1,239,411
Net book value	12,225	242,641	252,866
Year ended June 30, 2018			
Opening net book value	12,225	242,641	252,866
Additions	-	211,050	211,050
Depreciation charge	1,324	57,250	58,574
Closing net book value	8,891	399,443	405,134
At June 30, 2018			
Cost	61,100	1,634,229	1,695,329
Accumulated depreciation	52,408	1,207,796	1,296,195
Net book value	8,691	396,443	405,134
Year ended June 30, 2019			
Opening net book value	8,691	396,443	405,134
Additions	-	129,038	129,038
Depreciation charge	1,384	67,748	69,132
Closing net book value	7,307	493,733	495,120
At June 30, 2019			
Cost	61,100	1,763,269	1,824,369
Accumulated depreciation	53,713	1,305,535	1,359,248
Net book value	7,387	457,733	465,120
Annual depreciation rate (%)	15	15	

30-Sep-19

## 7. INTANGIBLE ASSETS

	Note	30-Sep-19 ----- Rupees -----	2019
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	30-Sep-19	2019	2018
- at fair value through other comprehensive income		----- Rupees -----	
LSE Financial Services Ltd.			
843,975 ordinary shares of Rs.10 each	14,887,719	14,887,719	14,887,719
Adjustment on remeasurement to fair value		4,270,514	3,426,539
	<u>14,887,719</u>	<u>19,158,233</u>	<u>18,314,258</u>

Shares have been valued on the basis of latest available net asset value per share of Rs. 22.70. This value was determined by the LSE Financial Services Ltd. and circulated vide notice no.6790 dated September 02, 2019.

9. SECURITY DEPOSITS	30-Sep-19	2019	2018
		----- Rupees -----	
Deposits with:			
National Clearing Company of Pakistan	1,400,000	1,500,000	1,100,000
Pakistan Mercantile Exchange Ltd.	750,000	750,000	750,000
	<u>2,150,000</u>	<u>2,250,000</u>	<u>1,850,000</u>

10. SHORT TERM INVESTMENTS - held for trading

No. of shares		Name of the Company	Market value	
June 30, 2019	June 30, 2018		June 30, 2019	June 30, 2018
			----- Rupees -----	
598	598	Adante Insurance Company Ltd.	20,995	29,188
8,166	8,166	Akari Bank Ltd.	154,419	178,590
440	440	Asha Steel Mills Ltd.	4,048	6,939
2,202	2,202	Asha Steel Mills Ltd. Preference	33,030	43,401
318	255	Attock Refinery Ltd.	24,672	54,904
500	500	Al-Azhar Textile Mills Ltd. - Freeze	-	130
2,209	2,009	Bank Alfalah Ltd.	96,290	105,051
592	592	Bank Al Habib Ltd.	46,401	46,997
87,818	49,816	The Bank Of Punjab	893,516	601,279
5,100	5,100	Byco Petroleum Pakistan Ltd.	32,891	62,220
2,350	2,350	Capital Assets Leasing Corporation Ltd.	22,607	22,443
234	234	First Capital Mutual Fund	2,340	2,340
612	612	Crescent Steel & Allied Products Ltd.	23,121	55,796
67,000	4,500	Dewan Cement Ltd.	523,270	81,000
-	8,000	Dewan Farooq Motor Ltd.	-	227,440
342	342	D.G. Khan Cement Company Ltd.	19,337	38,158
4,013	4,013	Dewan Salman Fibre Ltd.	-	3,531
287	287	Elu Life Assurance Ltd.	66,010	89,395
1,100	1,100	First Tri-Star Modaraba	9,350	6,789
1,330	1,330	Genertech Pakistan Ltd. - Freeze	-	-
1,048	953	Highnoon Laboratories Pakistan Ltd.	285,322	391,219
342	298	IGI Holding Ltd. (prev IGI Insurance Ltd.)	51,984	85,624
13	13	Innovative Investment Bank Ltd. - Freeze	-	-
1,500	1,500	Jahangir Siddiqui & Company Ltd.	16,230	27,285
211	211	JS Large Cap. Fund	22,256	30,253
466	87,486	K-Electric Ltd.	2,046	496,607
188,790	182,888	Carry forward	2,239,835	2,699,645
2019	2018		2019	2018

2019	2018		2019	2018
188,790	182,888	Carry forward	2,239,835	2,889,645
--Number of shares--			-----Rupees-----	
188,790	182,888	Brought forward	2,239,835	2,889,645
109	109	KSB Pumps Company Ltd.	11,009	30,520
584	50,584	Lotto Chemical Pakistan Ltd.	8,906	604,885
2,936	2,936	Maple Leaf Cement Factory Ltd.	70,141	148,973
-	135,000	Mughal Iron and Steel Industries Ltd.	-	8,291,700
206	172	National Foods Ltd.	37,937	54,866
600	500	National Bank of Pakistan Ltd.	16,830	23,685
20,000	20,000	Noorie Textile Mill Ltd. - revoked	-	-
2,511	2,511	Pak Elektron Ltd.	50,270	89,040
550	500	Pak Datacom Ltd.	24,484	32,973
243	243	Pakistan Engineering Company Ltd.	27,266	59,839
2,360	-	HBL Investment Fund Class A	3,558	-
2,360	-	HBL Investment Fund Class B	23,600	-
-	2,360	PICIC Investment Fund	-	-
247	247	Pioneer Cement Ltd.	5,595	11,574
243	212	Pakistan Petroleum Ltd.	35,096	45,559
110	110	MCB Pakistan Stock Market Fund	1,100	1,100
303	303	Saniba Bank Ltd.	1,664	2,318
2,592	2,592	Standard Chartered Bank Pak Ltd.	68,139	62,156
464	404	The Searle Company Ltd.	68,004	137,158
8,500	5,500	Southern Electric Power Company Ltd. - Freeze	-	-
2,500	2,500	Shifa International Hospital Ltd.	949,500	675,000
1,000	1,000	Shahpur Textile Mills Ltd. - Freeze	180	180
510,198	510,198	Silk Bank Ltd.	602,034	693,869
2,246	2,246	Sonari Bank Ltd.	23,022	29,131
643	643	Sul Northern Gas Pipelines Ltd.	44,882	64,441
100,000	100,000	Saudi Pak Leasing Co. Ltd.	-	90,000
800	600	Sargodha Spinning Mills Ltd.	20,165	12,920
2,636	2,636	Tri-Star Polyester Ltd.	34,251	43,794
8,500	5,500	Tri-Star Power Ltd.	14,300	34,540
200,000	100,000	World Call Telecom Ltd.	140,000	193,000
1,800	1,900	Zeeal Pak Cement Factory Ltd. - Freeze	-	-
1,087,731	1,134,344		4,107,547	14,122,956

10.1 As at June 30, 2019, shares having value of Rs. 5.230 million are pledged with National Clearing Company of Pakistan as margin against trading.

11. DUE FROM CLIENTS - Unsecured	30-Sep-19	Note	2019	2018
			----- Rupees -----	
Considered good	18,274,843	11.1	16,437,215	19,495,697
Less: provision for impairment	(2,363,284)		(2,363,284)	(2,901,567)
	15,911,559		14,073,931	16,594,130

11.1 These mainly include Rs.6.425 million (2018:Rs.4.359 million) receivable from NCCPL.

12. ADVANCES AND OTHER RECEIVABLES	30-Sep-19	Note	2019	2018
			----- Rupees -----	
Advances to staff	745,100		754,000	843,000
Other receivables	85,100		88,255	96,900
	<u>830,200</u>		<u>842,255</u>	<u>939,900</u>
<b>13. CASH AND BANK BALANCES</b>				
Cash in hand	17,787		210,309	221,879
Cash at banks - current accounts				
- client accounts	4,338,629		21,775,888	62,466,140
- house accounts	38,084,240		2,056,168	21,410
	<u>42,440,656</u>		<u>24,042,163</u>	<u>62,709,429</u>
<b>14. TRADE AND OTHER PAYABLES</b>				
Trade creditors	38,712,155	14.1	18,022,439	64,751,933
Accrued expenses	(34,720)		327,605	190,575
Others	2,635,646		-	119,167
	<u>41,313,081</u>		<u>18,350,044</u>	<u>65,061,675</u>
14.1 These include an amount of Rs.0.475 million (2018: Rs.0.725 million) payable to Mr. Ammar ul Haq (Director), against his normal trading activity.				
<b>15. SHORT TERM FINANCE</b>	<b>30-Sep-19</b>		<b>2019</b>	<b>2018</b>
			----- Rupees -----	
Running finance - secured	-		8,200,000	1,465
Temporary bank overdraft - unsecured	-		-	145,250
	<u>0</u>		<u>8,200,000</u>	<u>146,715</u>
15.1 Short term running finance facility available from various commercial banks under mark-up arrangements aggregate Rs.70 million (2018: Rs.70 million). This finance facility, during the current financial year, carried mark-up at the rates ranging from 7.25% to 16.13% (2018:11.14% to 11.50%) per annum. This facility is secured against personal guarantee of 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.				
<b>16. TAXATION - net</b>	<b>30-Sep-2019</b>		<b>2019</b>	<b>2018</b>
			----- Rupees -----	
Opening balance	2,384,142		4,536,776	552,494
Add: provision made during the year for:				
- current	2,384,142		2,384,142	4,536,776
- prior year			124,899	(209,756)
	<u>2,384,142</u>		<u>2,509,041</u>	<u>4,327,020</u>
Less: adjusted against completed assessment	(2,384,142)		(4,661,675)	(342,738)
Closing balance	<u>2,384,142</u>		<u>2,384,142</u>	<u>4,536,776</u>
16.1 Provision for current year includes mainly tax on dividend income and commission income under section 150 and 233 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, 2018.

17. CONTINGENCIES AND COMMITMENTS

Guarantee amounting Rs.5,000 million (2018: Rs.5,000 million) have been issued by bank of the Company to National Clearing Company of Pakistan Limited.

18. OPERATING REVENUE	30-Sep-19	Note	2019 ----- Rupees -----	2018
Brokerage income:				
- retail customers	980,419		5,329,582	6,313,210
- proprietary trade	0		75,841	209,337
	980,419		5,405,423	6,522,547
Dividend income	8,126		877,860	788,820
	988,545		6,283,283	7,311,367
19. OTHER INCOME				
Profit on deposit account	813,972		3,020,170	3,250,219
Reversal of provision for doubtful debts			538,283	-
	813,972		3,558,453	3,250,219
20. ADMINISTRATIVE AND OPERATING EXPENSES				
Salaries and benefits	813,000		3,382,917	2,912,900
Director's remuneration	520,000		1,440,000	1,320,000
Fees and subscription	141,935		439,672	136,840
Travelling and conveyance	7,910		30,420	27,220
Auditors' remuneration				
- statutory audit fee	50,000		126,000	63,000
- other certification charges			74,250	94,500
	50,000		200,250	157,500
Printing and stationery	54,901		109,834	104,628
Repair and maintenance	45,890		225,524	134,258
Entertainment	253,708		888,681	707,688
Postage and communication	123,904		415,112	440,430
Electricity	97,443		299,973	471,291
News paper & periodicals	3,527		13,397	10,976
LSE charges	(185,764)		648,969	43,786
CDC & clearing house charges	154,295		664,254	1,010,311
Depreciation	17,442	6	69,053	58,784
Legal & professional charges	31,500		111,589	67,790
Donations	6,600		15,850	15,500
Others	98,639		437,017	554,096
	2,234,930		9,392,512	8,173,996

21. FINANCIAL CHARGES	30-Sep-19	2019	2018
		----- Rupees -----	
Mark-up on short term finance		942,690	32,545
Bank charges	16,849	60,405	122,050
	<u>16,849</u>	<u>1,003,095</u>	<u>154,595</u>

## 22. TRANSACTIONS WITH RELATED PARTIES

The transactions executed with the related parties are normal trading activity carried out by directors of the Company and short term advances given to the Company. Payable balances to one of the Company's director against his trading activity has been disclosed in note 14 to these financial statements.

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 23.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried-out by the Company's finance department under policies approved by the board of directors. The Company's finance department evaluates financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

#### (a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

#### (b) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company activities at present does not expose to any currency risk.

#### (c) 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 change in market interest rates. The Company activities at present only expose it to interest rate risk against short term borrowing.

#### (d) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result 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 instruments or its issuer or factors affecting all similar financial instruments traded in the market.

The Company's investment in shares of a quoted Company expose it to price risk due to change in the prices of shares of quoted company.

A change of 10% in the price of shares of quoted Companies at reporting date would have decreased loss before tax for the year by Rs.4.108 million (2018: Rs.1.411 million).

### 23.2 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk primarily arises from due from clients, advances, investments and balances with banks. To manage exposure to credit risk in respect of due to clients, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings.

#### Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2019 along with comparative is tabulated below:

	30-Sep-19	2019	2018
		----- Rupees -----	
Long term investment		19,158,233	18,314,258
Security deposits		2,250,000	1,850,000
Due from clients		14,073,931	16,594,130
Short term investments		4,107,547	14,122,956
Advances and other receivables		842,255	939,900
Exposure deposits		11,400,000	7,000,000
Cash and bank balances		23,831,854	62,487,550
		<u>75,663,820</u>	<u>121,308,794</u>

#### 23.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

Financial liabilities in accordance with their contractual maturities are presented below:

Particulars	Carrying amount	Contractual cash flows	Less than 1 year
		----- Rupees -----	
<b>June 30, 2019</b>			
Trade and other payables	18,022,439	18,022,439	18,022,439
Accrued and other liabilities	327,605	327,605	327,605
Short term finance and mark-up	8,867,329	8,891,330	8,891,330
	<u>27,217,373</u>	<u>27,241,374</u>	<u>27,241,374</u>
<b>June 30, 2018</b>			
Trade and other payables	64,751,933	64,751,933	64,751,933
Accrued and other liabilities	309,742	309,742	309,742
Short term finance and mark-up	146,967	147,967	147,967
	<u>65,208,642</u>	<u>65,209,642</u>	<u>65,209,642</u>

#### 23.4 Fair value hierarchy

The table below analyzes financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1].



- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) [Level 2].
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) [Level 3].

The following table presents the Company's assets that are measured at fair value as at the year end:

	Level 1	Level 3
	----- Rupees -----	
June 30, 2019		
Long term investment	-	19,158,233
Short term investments	4,107,547	-
June 30, 2018		
Long term investment	-	18,314,258
Short term investments	14,122,956	-

#### 23.5 Fair value measurement of financial instruments

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

##### Valuation techniques used to determine fair values

**Level 1:** The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

At June 30, 2019, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

#### 24. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to any major externally imposed capital requirements.

## 25. FINANCIAL INSTRUMENT BY CATEGORY

	2019			2018		
	Amortised cost	At fair value through OCI	At fair value through PL	Loans and receivables	At fair value through PL	Total
Financial assets as per statement of financial position	----- Rupees -----			----- Rupees -----		
Long term investment	-	18,158,233	-	-	-	-
Security deposits	2,250,000	-	-	1,850,900	-	1,850,900
Short term investments	-	-	4,107,547	-	14,122,956	14,122,956
Due from clients	16,437,215	-	-	19,485,897	-	19,485,897
Advances and other receivables	842,255	-	-	939,900	-	939,900
Exposure deposit	11,408,000	-	-	7,000,000	1,748	7,001,748
Cash and bank balances	24,042,163	-	-	62,709,429	-	62,709,429
	54,971,633	18,158,233	4,107,547	91,995,026	14,124,704	106,119,730

## Financial liabilities measured at amortised cost

Financial liabilities as per statement of financial position	2019	2018
	--- Rupees ---	
Trade and other payables	18,350,044	65,061,675
Short term finance and Accrued mark-up	8,867,329	146,967
	27,217,373	65,208,642

## 26. REMUNERATION OF CHIEF EXECUTIVE AND A DIRECTOR

Particulars	Chief Executive		Directors	
	2019	2018	2019	2018
	----- Rupees -----			
Managerial remuneration	720,000	660,000	720,000	660,000
No. of persons	1	1	1	1

## 27. NUMBER OF EMPLOYEES

The total number of employees as at June 30, 2019 were 17 (2018: 17) and their average numbers during the year were 17 (2018: 17).

## 28. PATTERN OF SHAREHOLDING

As at June 30, 2019 following persons held more than 5% of the issued, subscribed and paid-up capital of the Company.

- Mr. Asnan Ul Haq (Chief Executive)
- Mr. Ammar Ul Haq

## 29. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on \_\_\_\_\_ by the board of directors of the Company.

## 30. GENERAL

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison; however, no material re-arrangements have been made in these financial statements.

Chief Executive Officer

Director