

AL-HAQ SECURITIES (PRIVATE) LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Independent Auditor's Report To The Members Of
Al-Haq Securities (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Al-Haq Securities (Private) Limited** (the Company), which comprise the statement of financial position as at June 30, 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors' Report thereon

Management is responsible for the other information presented along with the financial statements and the auditors' report thereon. With respect to the Company the other information comprises only the Director's Report on the operations of the Company.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980); and
- e) the Company was in compliance with requirement of section 78 of the Securities Act, 2015, and the relevant requirements of the Securities Brokers (Licencing and Operations) Regulations, 2016 as on the date of statement of financial position.

The Engagement partner on the audit resulting in this independent auditors' report is Mr. Osman Hameed Chaudhri.

LAHORE; 14 SEP 2020

ShineWing Hameed Chaudhri
SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

AL-HAQ SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

		2020	2019
	Note	----- Rupees -----	
Assets			
Non current assets			
Operating fixed assets	5	397,837	465,120
Intangible assets	6	9,600,000	9,600,000
Long term investment	7	19,082,274	19,158,233
Security deposits	8	2,150,000	2,250,000
		<u>31,230,111</u>	<u>31,473,353</u>
Current assets			
Short term investments	9	3,906,918	4,107,547
Due from clients	10	9,918,734	14,073,931
Advances and other receivables	11	655,200	842,255
Tax deducted at source		7,435,339	6,796,808
Exposure deposit		12,400,000	11,400,000
Cash and bank balances	12	98,649,700	24,042,163
		<u>132,965,891</u>	<u>61,262,704</u>
Total Assets		<u><u>164,196,002</u></u>	<u><u>92,736,057</u></u>
Equity and Liabilities			
Share Capital and Reserves			
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		60,841,000	60,841,000
Unrealised gain on remeasurement of investment at fair value through other comprehensive income		4,194,555	4,270,514
Revenue reserves - unappropriated profit / (accumulated loss)		942,934	(1,976,972)
		<u>65,978,489</u>	<u>63,134,542</u>
Liabilities			
Current liabilities			
Trade and other payables	13	98,080,101	18,350,044
Short term finance	14	-	8,200,000
Accrued mark-up		13,716	667,329
Taxation	15	123,696	2,384,142
		<u>98,217,513</u>	<u>29,601,515</u>
Contingencies and commitments	16		
Total Equity and Liabilities		<u><u>164,196,002</u></u>	<u><u>92,736,057</u></u>

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


Chief Executive Officer




Director

AL-HAQ SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS &
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 ----- Rupees -----	2019 -----
Operating revenue	17	5,987,635	6,283,283
Loss on sale of short term investments - net		(111,772)	(3,233,974)
Fair value gain / (loss) on remeasurement of investments through profit or loss		240,203	(1,929,792)
Other income	18	6,081,092	3,558,453
		<u>12,197,158</u>	<u>4,677,970</u>
Administrative and operating expenses	19	(10,697,791)	(9,392,512)
Financial charges	20	(588,703)	(1,003,095)
Profit / (loss) before taxation		<u>910,664</u>	<u>(5,717,637)</u>
Taxation			
- current		(123,696)	(2,384,142)
- prior year		2,132,938	(124,899)
	15	<u>2,009,242</u>	<u>(2,509,041)</u>
Profit / (loss) after taxation		<u>2,919,906</u>	<u>(8,226,678)</u>
Other Comprehensive Income			
Items that will not be reclassified to statement of profit or loss			
Unrealised (loss) / gain on remeasurement of investment at fair value through other comprehensive income		(75,959)	843,975
Total Comprehensive income / (loss)		<u><u>2,843,947</u></u>	<u><u>(7,382,703)</u></u>

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


Chief Executive Officer




Director

AL-HAQ SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	----- Rupees -----	
Cash flow from operating activities		
Profit / (loss) before taxation	910,664	(5,717,637)
Adjustments for non-cash charges and other items:		
Depreciation	70,083	69,053
Provision for doubtful debts	529,985	-
Dividend income	(824,641)	(877,860)
Reversal of provision for doubtful debt	-	(538,283)
Finance cost	508,248	942,690
Fair value (gain) / loss on remeasurement of investments through profit or loss	(240,203)	1,929,792
Profit / (loss) before working capital changes	954,136	(4,192,245)
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Short term investments	440,832	8,086,117
Due from clients	3,625,212	3,058,482
Advances, prepayments and other receivables	187,055	97,645
Exposure deposit	(1,000,000)	(4,400,000)
(Decrease) / increase in current liabilities:		
Trade creditors	79,761,880	(46,729,494)
Accrued and other liabilities	(31,823)	17,363
	82,983,156	(39,869,887)
Cash generated from / (used in) operations	83,937,292	(44,062,132)
Security deposits	100,000	(400,000)
Income tax paid	(889,735)	(2,731,627)
Net cash generated from / (used in) operations	83,147,557	(47,193,759)
Cash flow from investing activities		
Fixed capital expenditure	(2,800)	(129,039)
Dividend received	824,641	877,860
Net cash generated from investing activities	821,841	748,821
Cash flow from financing activities		
Short term finance - net	(8,200,000)	8,053,285
Finance cost paid	(1,161,861)	(275,613)
Net cash (used in) / generated from financing activities	(9,361,861)	7,777,672
Net increase / (decrease) in cash and cash equivalents	74,607,537	(38,667,266)
Cash and cash equivalents - at beginning of the year	24,042,163	62,709,429
Cash and cash equivalents - at end of the year	98,649,700	24,042,163

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


Chief Executive Officer




Director

AL-HAQ SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	Reserves			Total
	Revenue	Capital		
Share capital	Unappropriated profit / (accumulated loss)	Remeasurement gain on investments at FVTOCI		
----- Rupees -----				
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
Total comprehensive income for the year ended June 30, 2020				
Profit for the year	-	2,919,906	-	2,919,906
Other comprehensive loss	-	-	(75,959)	(75,959)
	-	2,919,906	(75,959)	2,843,947
Balance as at June 30, 2020	60,841,000	942,934	4,194,555	65,978,489

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 JUNE 30, 2020

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, 2019 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:

IFRS 16 "Leases" replaced IAS 17 "Leases", the former lease accounting standard and became effective on January 01, 2019. Under the new standard, assets leased by the Company are being recognized on the statement of financial position of the Company with a corresponding liability. Under IFRS 16, a new concept of right-of-use asset is introduced requiring recognition of right-of-use asset and a financial liability to pay rentals. The only exceptions are short-term and low-value leases.

The adoption of IFRS 16 does not have any impact of 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

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2019 and have not been early adopted by the Company:

- (a) Amendments to IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards. Refined definition of materiality - Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.
- (b) Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of this amendment, the requirement for a right to be unconditional has been removed and instead, the amendment requires that a right to defer settlement must have substance and exist at the end of the reporting period.

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

3.2 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 4.1];
- (ii) Classification and valuation of investments [note 4.3];
- (iii) Provision for taxation [note 4.9] and
- (iv) Provisions [note 4.10].

4. 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.

4.1 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 5. 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.

4.2 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 6.1).

4.3 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.

4.4 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.

4.5 Impairment of financial assets

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.

4.6 Due from clients and other receivables

These are initially recognised at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any.

4.7 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.

4.8 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.

4.9 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.

4.10 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.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

5. OPERATING FIXED ASSETS - tangible

	Furniture and fixtures	Office equipment	Total
	----- Rupees -----		
At July 1, 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
Year ended June 30, 2019			
Opening net book value	8,691	396,443	405,134
Additions	-	129,039	129,039
Depreciation charge	1,304	67,749	69,053
Closing net book value	7,387	457,733	465,120
At June 30, 2019			
Cost	61,100	1,763,268	1,824,368
Accumulated depreciation	53,713	1,305,535	1,359,248
Net book value	7,387	457,733	465,120
Year ended June 30, 2020			
Opening net book value	7,387	457,733	465,120
Additions	-	2,800	2,800
Depreciation charge	1,108	68,975	70,083
Closing net book value	6,279	391,558	397,837
At June 30, 2020			
Cost	61,100	1,766,068	1,827,168
Accumulated depreciation	54,821	1,374,510	1,429,331
Net book value	6,279	391,558	397,837
Annual depreciation rate (%)	15	15	

6. INTANGIBLE ASSETS

	Note	2020 ----- Rupees -----	2019
Trading Right Entitlement Certificate - PSX	6.1	5,000,000	5,000,000
Room at LSE building		4,600,000	4,600,000
		9,600,000	9,600,000

- 6.1** 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.

- 6.2 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.

7. LONG TERM INVESTMENT	2020	2019
- 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
Adjustment on remeasurement to fair value	4,194,555	4,270,514
	<u>19,082,274</u>	<u>19,158,233</u>

Shares have been valued on the basis of latest available net asset value per share of Rs. 22.61 (2019: Rs.22.70). This value was determined by management of the LSE Financial Services Ltd. and circulated vide their notice no.7799 dated March 02, 2020.

8. SECURITY DEPOSITS	2020	2019
	----- Rupees -----	
Deposits with:		
National Clearing Company of Pakistan	1,400,000	1,500,000
Pakistan Mercantile Exchange Ltd.	750,000	750,000
	<u>2,150,000</u>	<u>2,250,000</u>

9. SHORT TERM INVESTMENTS - at FVTOCI

No. of shares		Name of the Company	Market value	
June 30, 2020	June 30, 2019		June 30, 2020	June 30, 2019
			----- Rupees -----	
599	599	Adamjee Insurance Company Ltd.	19,833	20,995
8,166	8,166	Askari Bank Ltd.	111,956	154,419
440	440	Aisha Steel Mills Ltd.	4,052	4,048
2,202	2,202	Aisha Steel Mills Ltd. Preference	45,097	33,030
318	318	Attock Refinery Ltd.	28,404	24,572
500	500	Al-Azhar Textile Mills Ltd.- Freeze	-	-
2,209	2,209	Bank Alfalah Ltd.	74,156	96,290
592	592	Bank Al Habib Ltd.	30,962	46,401
316	87,816	The Bank Of Punjab	2,654	803,516
5,100	5,100	Byco Petroleum Pakistan Ltd.	30,702	32,691
2,350	2,350	Capital Assets Leasing Corporation Ltd.	11,750	22,607
234	234	First Capital Mutual Fund	2,340	2,340
612	612	Crescent Steel & Allied Products Ltd.	27,846	23,121
350	-	Cherat Cement Company Limited	30,510	-
55,000	67,000	Dewan Cement Ltd.	427,900	523,270
50,000	-	Dewan Farooq Motor Ltd.	260,000	-
342	342	D.G. Khan Cement Company Ltd.	29,183	19,337
4,013	4,013	Dewan Salman Fibre Ltd.	-	-
287	287	Efu Life Assurance Ltd.	60,393	66,010
1,100	1,100	First Tri-Star Modaraba	8,800	9,350
25,000	-	Fauji Foods Ltd.	236,250	-
25,000	-	Flying Cement Company Ltd.	226,250	-
1,330	1,330	Genertech Pakistan Ltd. - Freeze	-	-
1,152	1,048	Highnoon Laboratories Pakistan Ltd.	577,475	265,322
342	342	IGI Holding Ltd.(prev IGI Insurance Ltd.)	61,888	51,984
13	13	Innovative Investment Bank Ltd. - Freeze	-	-
187,567	186,613	Carry forward	2,308,401	2,199,303

2020	2019		2020	2019
---Number of shares---			-----Rupees-----	
187,567	186,613	Brought forward	2,308,401	2,199,303
1,500	1,500	Jahangir Siddiqui & Company Ltd.	17,700	16,230
211	211	JS Large Cap. Fund	22,256	22,256
466	466	K-Electric Ltd.	1,403	2,046
109	109	KSB Pumps Company Ltd.	15,697	11,009
584	584	Lotte Chemical Pakistan Ltd.	5,811	8,906
2,936	2,936	Maple Leaf Cement Factory Ltd.	76,277	70,141
247	206	National Foods Ltd.	61,861	37,937
500	500	National Bank of Pakistan Ltd.	13,825	16,830
20,000	20,000	Noorie Textile Mill Ltd. - revoked	-	-
2,511	2,511	Pak Elektron Ltd.	57,577	50,270
550	550	Pak Datacom Ltd.	26,758	24,464
243	243	Pakistan Engineering Company Ltd.	35,527	27,265
2,360	2,360	HLB Investment Fund Class A	6,325	9,558
2,360	2,360	HLB Investment Fund Class B	23,600	23,600
247	247	Pioneer Cement Ltd.	15,571	5,595
2,300	243	Pakistan Petroleum Ltd.	199,594	35,096
110	110	MCB Pakistan Stock Market Fund	1,100	1,100
303	303	Samba Bank Ltd.	2,366	1,664
2,592	2,592	Standard Chartered Bank Pak Ltd.	71,384	58,139
464	464	The Searle Company Ltd.	92,443	68,004
5,500	5,500	Southern Electric Power Company Ltd. - Freeze	-	-
2,500	2,500	Shifa International Hospital Ltd.	583,400	549,500
1,000	1,000	Shahpur Textile Mills Ltd. - Freeze	-	180
10,198	510,198	Silk Bank Ltd.	8,566	602,034
2,246	2,246	Soneri Bank Ltd.	24,931	23,022
643	643	Sui Northern Gas Pipelines Ltd.	35,108	44,682
100,000	100,000	Saudi Pak Leasing Co. Ltd.	59,000	-
500	500	Sargodha Spinning Mills Ltd.	20,165	20,165
2,636	2,636	Tri-Star Polyester Ltd.	18,478	24,251
5,500	5,500	Tri-Star Power Ltd.	14,795	14,300
100,000	200,000	World Call Telecom Ltd.	87,000	140,000
1,900	1,900	Zeal Pak Cement Factory Ltd. - Freeze	-	-
460,783	1,057,731		3,906,918	4,107,547

9.1 As at June 30, 2020, shares having value of Rs. 4.445 million are pledged with National Clearing Company of Pakistan as margin against trading.

10. DUE FROM CLIENTS - Unsecured

	Note	2020	2019
		----- Rupees -----	
Considered good	10.1	12,812,003	16,437,215
Less: provision for impairment		(2,893,269)	(2,363,284)
		9,918,734	14,073,931

10.1 These mainly include Rs.6.532 million (2019:Rs.6.425 million) receivable from NCCPL.

11. ADVANCES AND OTHER RECEIVABLES

Advances to staff	604,600	754,000
Other receivables	50,600	88,255
	655,200	842,255

12. CASH AND BANK BALANCES

	Note	2020 ----- Rupees -----	2019
Cash in hand		3,102	210,309
Cash at banks			
- client accounts		95,243,184	21,775,686
- house accounts		3,403,414	2,056,168
		<u>98,649,700</u>	<u>24,042,163</u>

13. TRADE AND OTHER PAYABLES

Trade creditors	13.1	97,784,319	18,022,439
Accrued expenses		295,782	327,605
		<u>98,080,101</u>	<u>18,350,044</u>

13.1 These include an amount of Rs.2.688 million (2019: Rs.0.475 million) payable to Mr. Ammar Ul Haq (Director), against his normal trading activity.

14. SHORT TERM FINANCE

	2020 ----- Rupees -----	2019
Running finance - secured	-	8,200,000

14.1 Short term running finance facility available from various commercial banks under mark-up arrangements aggregate Rs.70 million (2019: Rs 70 million). This finance facility, during the current financial year, carried mark-up at the rates ranging from 11% to 18.86% (2019:7.25% to 16.13%) per annum. This facility is secured against personal guarantee of all Directors, hypothecation charge over receivables of the Company, mortgage of property 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.

15. TAXATION - net

	2020 ----- Rupees -----	2019
Opening balance	2,384,142	4,536,776
Add: provision made during the year for:		
- current	123,696	2,384,142
- prior year	(2,132,938)	124,899
	(2,009,242)	2,509,041
Less: adjusted against completed assessment	(251,204)	(4,661,675)
Closing balance	<u>123,696</u>	<u>2,384,142</u>

15.1 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.

15.2 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, 2019.

16. CONTINGENCIES AND COMMITMENTS

Guarantee amounting Rs.5.000 million (2019: Rs.5.000 million) have been issued by bank of the Company to National Clearing Company of Pakistan Limited.

17. OPERATING REVENUE

2020 2019
Note - - - - - Rupees - - - - -

Brokerage income:

- retail customers

- proprietary trade

Dividend income

4,811,992	5,329,582
351,002	75,841
5,162,994	5,405,423
824,641	877,860
<u>5,987,635</u>	<u>6,283,283</u>

18. OTHER INCOME

Profit on deposit account

Reversal of provision for doubtful debts

6,081,092	3,020,170
-	538,283
<u>6,081,092</u>	<u>3,558,453</u>

19. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries and benefits

Director's remuneration

Fees and subscription

Travelling and conveyance

Auditors' remuneration

- statutory audit fee

- other certification charges

3,402,416	3,382,917
2,320,000	1,440,000
197,665	439,672
114,945	30,420
<u>139,800</u>	<u>126,000</u>
<u>49,050</u>	<u>74,250</u>

188,850 200,250

Printing and stationery

165,822 109,834

Repair and maintenance

108,562 225,524

Entertainment

982,248 888,681

Postage and communication

493,484 415,112

Electricity

465,425 299,973

News paper & periodicals

17,226 13,397

LSE charges

105,979 648,969

CDC & clearing house charges

473,721 664,254

Depreciation

5 70,083 69,053

Legal & professional charges

136,724 111,589

Donations - without director's interest

21,400 15,850

Receivable balance written-off

63,500 -

Provision for impairment in trade debts

529,985 -

Others

839,756 437,017

10,697,791 9,392,512**20. FINANCIAL CHARGES**

Mark-up on short term finance

508,248 942,690

Bank charges

80,455 60,405

588,703 1,003,095

21. TRANSACTIONS WITH RELATED PARTIES

The only transactions executed with the related parties are normal trading activity carried out by directors of the Company. Payable balances to one of the Company's director against his trading activity has been disclosed in note 13 to these financial statements.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**22.1 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.3.907 million (2019: Rs.4.108 million).

22.2 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, 2020 along with comparative is tabulated below:

	2020	2019
	----- Rupees -----	
Long term investment	19,082,274	19,158,233
Security deposits	2,150,000	2,250,000
Due from clients	9,918,734	14,073,931
Short term investments	3,906,918	4,107,547
Advances and other receivables	655,200	842,255
Exposure deposits	12,400,000	11,400,000
Cash and bank balances	98,646,598	23,831,854
	<u>146,759,724</u>	<u>75,663,820</u>

22.3 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 -----		
June 30, 2020			
Trade and other payables	97,784,319	97,784,319	97,784,319
Accrued and other liabilities	295,782	295,782	295,782
Short term finance and mark-up	13,716	13,716	13,716
	<u>98,093,817</u>	<u>98,093,817</u>	<u>98,093,817</u>
June 30, 2019			
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	8,867,329	8,867,329
	<u>27,217,373</u>	<u>27,217,373</u>	<u>27,217,373</u>

22.4 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:

	<u>Level 1</u>	<u>Level 3</u>
	----- Rupees -----	
June 30, 2020		
Long term investment	-	19,082,274
Short term investments	<u>3,906,918</u>	<u>-</u>
June 30, 2019		
Long term investment	-	19,158,233
Short term investments	<u>4,107,547</u>	<u>-</u>

22.5 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, 2020, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

23. 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.

24. FINANCIAL INSTRUMENT BY CATEGORY

	2020				2019			
	Amortised cost	At fair value through OCI	At fair value through PL	Total	Amortised cost	At fair value through OCI	At fair value through PL	Total
Financial assets as per statement of financial position	----- Rupees -----				----- Rupees -----			
Long term investment	-	19,082,274	-	19,082,274	-	19,158,233	-	19,158,233
Security deposits	2,150,000	-	-	2,150,000	2,250,000	-	-	2,250,000
Short term investments	-	-	3,906,918	3,906,918	-	-	4,107,547	4,107,547
Due from clients	12,812,003	-	-	12,812,003	16,437,215	-	-	16,437,215
Advances and other receivables	655,200	-	-	655,200	842,255	-	-	842,255
Exposure deposit	12,400,000	-	-	12,400,000	11,400,000	-	-	11,400,000
Cash and bank balances	98,649,700	-	-	98,649,700	24,042,163	-	-	24,042,163
	<u>126,666,903</u>	<u>19,082,274</u>	<u>3,906,918</u>	<u>149,656,095</u>	<u>54,971,633</u>	<u>19,158,233</u>	<u>4,107,547</u>	<u>78,237,413</u>

Financial liabilities measured at amortised cost**Financial liabilities as per statement of financial position**

	2020	2019
	- - - Rupees - - -	
Trade and other payables	98,080,101	18,350,044
Short term finance and Accrued mark-up	13,716	8,867,329
	<u>98,093,817</u>	<u>27,217,373</u>

25. REMUNERATION OF CHIEF EXECUTIVE AND A DIRECTOR

Particulars	Chief Executive		Directors	
	2020	2019	2020	2019
	----- Rupees -----			
Managerial remuneration	1,160,000	720,000	1,160,000	720,000
No. of persons	1	1	1	1

26. NUMBER OF EMPLOYEES

The total number of employees as at June 30, 2020 were 17 (2019: 17) and their average numbers during the year were 17 (2019: 17).

27. PATTERN OF SHAREHOLDING

As at June 30, 2020 following persons held more than 5% of the issued, subscribed and paid-up capital of the Company.

- Mr. Asnan UI Haq (Chief Executive)
- Mr. Ammar UI Haq (Director)

28. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on September 14, 2020 by the board of directors of the Company.

29. 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