

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

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **AI-Haq Securities (Private) Limited** (the Company), which comprise the statement of financial position as at June 30, 2021, 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 also the disclosures required by the Companies Act, 2017 (PCA of 2017), to the extent so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the profit, other comprehensive income, the changes in equity and the cash flows for the year then ended.

Basic 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 detailed 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.

Management's Responsibility for the Financial Statements and Auditor's Responsibilities

Management is responsible for the other information presented along with the financial statements and the annual 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 this work we have performed, we conclude that there is a material inconsistency 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 upto 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; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

LAHORE; 30 SEP 2021

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

**AL-HAQ SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021**

Assets	Note	2021	2020
		----- Rupees -----	
Non current assets			
Operating fixed assets	4	414,173	397,837
Intangible assets	5	9,600,000	9,600,000
Long term investment	6	19,673,057	19,082,274
Security deposits	7	2,150,000	2,150,000
		<u>31,837,230</u>	<u>31,230,111</u>
Current assets			
Short term investments	8	4,383,323	3,906,918
Due from clients	9	23,520,093	9,918,734
Advances and other receivables	10	475,850	655,200
Tax deducted at source		7,818,459	7,435,339
Exposure deposit		24,400,000	12,400,000
Cash and bank balances	11	49,788,165	98,649,700
		<u>110,385,890</u>	<u>132,965,891</u>
Total Assets		<u><u>142,223,120</u></u>	<u><u>164,196,002</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		4,785,338	4,194,555
Revenue reserves - unappropriated profit		3,810,828	942,934
		<u>69,437,166</u>	<u>65,978,489</u>
Liabilities			
Current liabilities			
Trade and other payables	12	61,770,682	98,080,101
Short term finance	13	10,323,232	-
Accrued mark-up		425,967	13,716
Taxation	14	266,073	123,696
		<u>72,785,954</u>	<u>98,217,513</u>
Contingencies and commitments	15		
Total Equity and Liabilities		<u><u>142,223,120</u></u>	<u><u>164,196,002</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, 2021**

	2021	2020	
	----- Rupees -----		
Operating revenue	16	12,621,996	5,987,635
Gain / (loss) on sale of short term investments - net		818,097	(111,772)
Fair value gain on remeasurement of investments through profit or loss		841,064	240,203
Other income	17	3,685,158	6,081,092
		<u>17,966,315</u>	<u>12,197,158</u>
Administrative and operating expenses	18	(13,283,847)	(10,697,791)
Financial charges	19	(1,379,840)	(588,703)
Profit before taxation		<u>3,302,628</u>	<u>910,664</u>
Taxation			
- current		(266,073)	(123,696)
- prior year		(168,661)	2,132,938
	14	<u>(434,734)</u>	<u>2,009,242</u>
Profit after taxation		<u>2,867,894</u>	<u>2,919,906</u>
Other Comprehensive Income			
Items that will not be reclassified to statement of profit or loss			
Unrealised gain / (loss) on remeasurement of investment at fair value through other comprehensive income		590,783	(75,959)
Total Comprehensive income		<u><u>3,458,677</u></u>	<u><u>2,843,947</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, 2021

	2021	2020
	----- Rupees -----	
Cash flow from operating activities		
Profit before taxation	3,302,628	910,664
Adjustments for non-cash charges and other items:		
Depreciation	67,435	70,083
Provision for doubtful debts	262,611	529,985
Dividend income	(674,345)	(824,641)
Finance cost	1,287,857	508,248
Fair value gain on remeasurement of investments through profit or loss	(841,064)	(240,203)
Profit before working capital changes	3,405,122	954,136
Effect on cash flow due to working capital changes		
Decrease / (increase) in current assets:		
Short term investments	364,659	440,832
Due from clients	(13,863,970)	3,625,212
Advances, prepayments and other receivables	179,350	187,055
Exposure deposit	(12,000,000)	(1,000,000)
(Decrease) / increase in current liabilities:		
Trade creditors	(36,545,468)	79,761,880
Accrued and other liabilities	236,049	(31,823)
	(61,629,380)	82,983,156
Cash (used in) / generated from operations	(58,224,258)	83,937,292
Security deposits	-	100,000
Income tax paid	(675,477)	(889,735)
Net cash (used in) / generated from operations	(58,899,735)	83,147,557
Cash flow from investing activities		
Fixed capital expenditure	(83,771)	(2,800)
Dividend received	674,345	824,641
Net cash generated from investing activities	590,574	821,841
Cash flow from financing activities		
Short term finance - net	10,323,232	(8,200,000)
Finance cost paid	(875,606)	(1,161,861)
Net cash generated from / (used in) financing activities	9,447,626	(9,361,861)
Net (decrease) / increase in cash and cash equivalents	(48,861,535)	74,607,537
Cash and cash equivalents - at beginning of the year	98,649,700	24,042,163
Cash and cash equivalents - at end of the year	49,788,165	98,649,700

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, 2021

	Reserves			Total
	Share capital	Revenue	Capital	
		Unappr- opriated profit / (accumulated loss)	Remeasure- ment gain on investments at FVTOCI	
----- Rupees -----				
Balance as at July 01, 2019	60,841,000	(1,976,972)	4,270,514	63,134,542
Total comprehensive loss for the year ended June 30, 2020				
Loss 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
Total comprehensive income for the year ended June 30, 2021				
Profit for the year	-	2,867,894	-	2,867,894
Other comprehensive income	-	-	590,783	590,783
	-	2,867,894	590,783	3,458,677
Balance as at June 30, 2021	60,841,000	3,810,828	4,785,338	69,437,166

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


Chief Executive Officer

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Director

AL-HAQ SECURITIES (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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.

2.4 CHANGE IN ACCOUNTING STANDARDS AND INTERPRETATIONS

2.4.1 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, 2020 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:

IAS 1 & IAS 8 Definition of material

Amendments to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' are effective for annual periods beginning on or after January 01, 2020. The amendments 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 IFRSs. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRSs. The amendments do not have any material impact on the Company's financial statements.

2.4.2 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, 2021 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.

2.5 Critical accounting estimates and judgements

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 3.1];
- (ii) Classification and valuation of investments [note 3.3];
- (iii) Provision for taxation [note 3.9] and
- (iv) Provisions [note 4.10].

3. 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.

3.1 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 4. 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.

3.2 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 5.1).

3.3 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.

3.4 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

3.5 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.

3.6 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.

3.7 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.

3.8 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.

3.9 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.

4. OPERATING FIXED ASSETS - tangible

	Furniture and fixtures	Office equipment	Total
	----- Rupees -----		
At July 1, 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
Year ended June 30, 2021			
Opening net book value	6,279	391,558	397,837
Additions	20,200	63,571	83,771
Depreciation charge	1,921	65,514	67,435
Closing net book value	24,558	389,615	414,173
At June 30, 2021			
Cost	81,300	1,829,639	1,910,939
Accumulated depreciation	56,742	1,440,024	1,496,766
Net book value	24,558	389,615	414,173
Annual depreciation rate (%)	15	15	
5. INTANGIBLE ASSETS			
	Note	----- Rupees -----	
Trading Right Entitlement Certificate - PSX	5.1	5,000,000	5,000,000
Room at LSE building		4,600,000	4,600,000
		9,600,000	9,600,000

- 5.1 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.

- 5.2 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.

6. LONG TERM INVESTMENT	2021	2020
- 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	4,785,338	4,194,555
	19,673,057	19,082,274

Shares have been valued on the basis of latest available net asset value per share of Rs. 23.31 (2020: Rs.22.61). This value was determined by management of the LSE Financial Services Ltd. and circulated vide their notice no.9923 dated March 30, 2021.

7. SECURITY DEPOSITS	2021	2020
	----- Rupees -----	
Deposits with:		
National Clearing Company of Pakistan	1,400,000	1,400,000
Pakistan Mercantile Exchange Ltd.	750,000	750,000
	2,150,000	2,150,000

8. SHORT TERM INVESTMENTS - at FVTOCI

No. of shares		Name of the Company	Market value	
June 30, 2021	June 30, 2020		June 30, 2021	June 30, 2020
----- Rupees -----				
-	599	Adamjee Insurance Company Ltd.	-	19,833
8,166	8,166	Askari Bank Ltd.	185,613	111,956
440	440	Aisha Steel Mills Ltd.	10,960	4,052
2,202	2,202	Aisha Steel Mills Ltd. Preference	77,290	45,097
318	318	Attock Refinery Ltd.	81,551	28,404
500	500	Al-Azhar Textile Mills Ltd.- Freeze	-	-
-	2,209	Bank Alfalah Ltd.	-	74,156
-	592	Bank Al Habib Ltd.	-	30,962
-	316	The Bank Of Punjab	-	2,654
5,100	5,100	Byco Petroleum Pakistan Ltd.	59,211	30,702
2,350	2,350	Capital Assets Leasing Corporation Ltd.	47,494	11,750
234	234	First Capital Mutual Fund	2,340	2,340
-	612	Crescent Steel & Allied Products Ltd.	-	27,846
-	350	Cherat Cement Company Limited	-	30,510
5,000	55,000	Dewan Cement Ltd.	56,300	427,900
50,000	50,000	Dewan Farooq Motor Ltd.	525,000	260,000
-	342	D.G. Khan Cement Company Ltd.	-	29,183
4,013	4,013	Dewan Salman Fibre Ltd.	-	-
-	287	Efu Life Assurance Ltd.	-	60,393
1,100	1,100	First Tri-Star Modaraba	13,145	8,800
-	25,000	Fauji Foods Ltd.	-	236,250
-	25,000	Flying Cememt Company Ltd.	-	226,250
1,330	1,330	Genertech Pakistan Ltd. - Freeze	-	-
1,267	1,152	Highnoon Laboratories Pakistan Ltd.	760,200	577,475
342	342	IGI Holding Ltd.(prev IGI Insurance Ltd.)	66,198	61,888
13	13	Innovative Investment Bank Ltd. - Freeze	-	-
82,375	187,567	Carry forward	1,885,302	2,308,401

2021	2020		2021	2020
---Number of shares---			-----Rupees-----	
82,375	187,567	Brought forward	1,885,302	2,308,401
1,500	1,500	Jahangir Siddiqui & Company Ltd.	33,840	17,700
211	211	JS Large Cap. Fund	22,256	22,256
-	466	K-Electric Ltd.	-	1,403
-	109	KSB Pumps Company Ltd.	-	15,697
-	584	Lotte Chemical Pakistan Ltd.	-	5,811
2,936	2,936	Maple Leaf Cement Factory Ltd.	137,933	76,277
308	247	National Foods Ltd.	70,538	61,861
-	500	National Bank of Pakistan Ltd.	-	13,825
20,000	20,000	Noorie Textile Mill Ltd. - revoked	-	-
2,511	2,511	Pak Elektron Ltd.	88,036	57,577
605	550	Pak Datacom Ltd.	42,314	26,758
243	243	Pakistan Engineering Company Ltd.	85,779	35,527
2,360	2,360	HBL Investment Fund Class A	7,316	6,325
2,360	2,360	HBL Investment Fund Class B	23,600	23,600
-	247	Pioneer Cement Ltd.	-	15,571
2,871	2,300	Pakistan Petroleum Ltd.	249,289	199,594
110	110	MCB Pakistan Stock Market Fund	1,100	1,100
-	303	Samba Bank Ltd.	-	2,366
-	2,592	Standard Chartered Bank Pak Ltd.	-	71,384
464	464	The Searle Company Ltd.	112,576	92,443
5,500	5,500	Southern Electric Power Company Ltd. - Freeze	-	-
2,500	2,500	Shifa International Hospital Ltd.	547,875	583,400
1,000	1,000	Shahpur Textile Mills Ltd. - Freeze	180	-
10,198	10,198	Silk Bank Ltd.	20,498	8,566
2,246	2,246	Soneri Bank Ltd.	22,011	24,931
643	643	Sui Northern Gas Pipelines Ltd.	31,237	35,108
-	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.	70,513	18,478
5,500	5,500	Tri-Star Power Ltd.	37,785	14,795
100,000	100,000	World Call Telecom Ltd.	396,000	87,000
1,900	1,900	Zeal Pak Cement Factory Ltd. - Freeze	-	-
50,000	-	Ghani Automobile Industries Limited	453,500	-
2,000	-	Pakistan Telecommunication Company Ltd.	23,680	-
303,477	460,783		4,383,323	3,906,918

8.1 As at June 30, 2021, shares having value of Rs. 2.203 million (2020: Rs.4.445 million) are pledged with National Clearing Company of Pakistan as margin against trading.

9. DUE FROM CLIENTS - Unsecured

	Note	2021	2020
		----- Rupees -----	
Considered good	9.1	26,675,973	12,812,003
Less: provision for impairment		(3,155,880)	(2,893,269)
		23,520,093	9,918,734

9.1 These mainly include Rs.19.650 million (2020:Rs.6.532 million) receivable from NCCPL.

10. ADVANCES AND OTHER RECEIVABLES

	2021	2020
	----- Rupees -----	
Advances to staff	475,850	604,600
Other receivables	-	50,600
	475,850	655,200

11. CASH AND BANK BALANCES

	Note	2021 ----- Rupees -----	2020 ----- Rupees -----
Cash in hand		49,127	3,102
Cash at banks			
- client accounts		49,681,997	95,243,184
- house accounts		57,041	3,403,414
		<u>49,788,165</u>	<u>98,649,700</u>

12. TRADE AND OTHER PAYABLES

Trade creditors	12.1	61,238,851	97,784,319
Accrued expenses		531,831	295,782
		<u>61,770,682</u>	<u>98,080,101</u>

12.1 These include an amount of Rs.37.399 thousand (2020: Rs.2.688 million) payable to Mr. Ammar Ul Haq (Director), against his normal trading activity.

13. SHORT TERM FINANCE

	2021 ----- Rupees -----	2020 ----- Rupees -----
Running finance - secured	<u>10,323,232</u>	-

13.1 Short term running finance facility available from various commercial banks under mark-up arrangements aggregate Rs.70 million (2020: Rs 70 million). This finance facility, during the current financial year, carried mark-up at the rates ranging from 7% to 11.59% (2020:7.11% to 18.86%) per annum. This facility is secured against personal guarantee of all Directors, hypothecation charge over current assets 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.

14. TAXATION - net

	2021 ----- Rupees -----	2020 ----- Rupees -----
Opening balance	123,696	2,384,142
Add: provision made during the year for:		
- current	266,073	123,696
- prior year	168,661	(2,132,938)
	434,734	(2,009,242)
Less: adjusted against completed assessment	(292,357)	(251,204)
Closing balance	<u>266,073</u>	<u>123,696</u>

14.1 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.

14.2 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, 2020.

15. CONTINGENCIES AND COMMITMENTS

Guarantee amounting Rs.5.000 million (2020: Rs.5.000 million) have been issued by bank of the Company to National Clearing Company of Pakistan Limited.

16. OPERATING REVENUE	Note	2021 ----- Rupees -----	2020
Brokerage income:			
- retail customers		11,610,735	4,811,992
- proprietary trade		336,916	351,002
		11,947,651	5,162,994
Dividend income		674,345	824,641
		<u>12,621,996</u>	<u>5,987,635</u>
17. OTHER INCOME			
Profit on deposit account		<u>3,685,158</u>	<u>6,081,092</u>
18. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and benefits		3,536,212	3,402,416
Director's remuneration		2,400,000	2,320,000
Fees and subscription		226,075	197,665
Travelling and conveyance		685,279	114,945
Auditors' remuneration			
- statutory audit fee		90,750	139,800
- other certification charges		85,000	49,050
		175,750	188,850
Printing and stationery		105,485	165,822
Repair and maintenance		121,510	108,562
Entertainment		947,602	982,248
Postage and communication		580,071	493,484
Electricity		475,704	465,425
News paper & periodicals		10,320	17,226
LSE charges		1,713,068	105,979
CDC & clearing house charges		730,287	473,721
Depreciation	4	67,435	70,083
Legal & professional charges		153,913	136,724
Donations - without director's interest		44,000	21,400
Receivable balance written-off		-	63,500
Provision for impairment in trade debts		262,611	529,985
Others		1,048,525	839,756
		<u>13,283,847</u>	<u>10,697,791</u>
19. FINANCIAL CHARGES			
Mark-up on short term finance		1,287,857	508,248
Bank charges		91,983	80,455
		<u>1,379,840</u>	<u>588,703</u>
20. 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 12 to these financial statements.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

21.1 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.4.383 million (2020: Rs.3.907 million).

21.2 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, 2021 along with comparative is tabulated below:

	2021	2020
	----- Rupees -----	
Long term investment	19,673,057	19,082,274
Security deposits	2,150,000	2,150,000
Due from clients	23,520,093	9,918,734
Short term investments	4,383,323	3,906,918
Advances and other receivables	475,850	655,200
Exposure deposits	24,400,000	12,400,000
Cash and bank balances	49,739,038	98,646,598
	<u>124,341,361</u>	<u>146,759,724</u>

21.3 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, 2021			
Trade and other payables	61,238,851	61,238,851	61,238,851
Accrued and other liabilities	531,831	531,831	531,831
Short term finance and mark-up	10,749,199	10,749,199	10,749,199
	<u>72,519,881</u>	<u>72,519,881</u>	<u>72,519,881</u>
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>

21.4 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

	Level 1	Level 3
	----- Rupees -----	
June 30, 2021		
Long term investment	-	19,673,057
Short term investments	<u>4,383,323</u>	-
June 30, 2020		
Long term investment	-	19,082,274
Short term investments	<u>3,906,918</u>	-

21.5 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, 2021, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

22. 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.

23. FINANCIAL INSTRUMENT BY CATEGORY

	2021			2020				
	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	-	19,673,057	-	19,673,057	-	19,082,274	-	19,082,274
Security deposits	2,150,000	-	-	2,150,000	2,150,000	-	-	2,150,000
Short term investments	-	-	4,383,323	4,383,323	-	-	3,906,918	3,906,918
Due from clients	26,675,973	-	-	26,675,973	12,812,003	-	-	12,812,003
Advances and other receivables	475,850	-	-	475,850	655,200	-	-	655,200
Exposure deposit	24,400,000	-	-	24,400,000	12,400,000	-	-	12,400,000
Cash and bank balances	49,788,165	-	-	49,788,165	98,649,700	-	-	98,649,700
	103,489,988	19,673,057	4,383,323	127,546,368	126,666,903	19,082,274	3,906,918	149,656,095

Financial liabilities as per statement of financial position	Financial liabilities measured at amortised cost	
	2021	2020
	--- Rupees ---	
Trade and other payables	61,770,682	98,080,101
Short term finance and Accrued mark-up	10,749,199	13,716
	<u>72,519,881</u>	<u>98,093,817</u>

24. REMUNERATION OF CHIEF EXECUTIVE AND A DIRECTOR

Particulars	Chief Executive		Directors	
	2021	2020	2021	2020
	----- Rupees -----			
Managerial remuneration	<u>1,200,000</u>	<u>1,160,000</u>	<u>1,200,000</u>	<u>1,160,000</u>
No. of persons	1	1	1	1

25. NUMBER OF EMPLOYEES

The total number of employees as at June 30, 2021 were 18 (2020: 17) and their average numbers during the year were 17 (2020: 17).

26. PATTERN OF SHAREHOLDING

As at June 30, 2021 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)

27. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

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

28. 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

SHC


Director