

**NETWORTH SECURITIES LIMITED  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Independent Auditor's Report To The Members Of  
Networth Securities Limited**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the annexed financial statements of **Networth Securities Limited** (the Company), which comprise the statement of financial position as at June 30, 2020, the statement of profit or loss, the statement of 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, the statement 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 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, the statement of 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

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

**NETWORTH SECURITIES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

	Note	2020 ----- Rupees -----	2019
<b>Assets</b>			
<b>Non-current Assets</b>			
Operating fixed assets	6	2,642,055	3,231,537
Intangible assets	7	2,972,573	2,972,573
Long term deposits	8	500,000	500,000
Long term investment	9	19,080,014	19,155,963
Deferred taxation	14	2,073	-
		<u>25,196,715</u>	<u>25,860,073</u>
<b>Current Assets</b>			
Trade debts	10	1,047,609	457,676
Loans and advances		183,000	195,000
Short term investments	11	10,422,592	8,530,658
Advance income tax and tax deducted at source		1,150,966	870,641
Sales tax refundable		1,030	-
Cash and bank balances	12	25,563,686	17,390,229
		<u>38,368,883</u>	<u>27,444,204</u>
		<u>63,565,598</u>	<u>53,304,277</u>
<b>Total Assets</b>			
<b>Equity and Liabilities</b>			
<b>Share Capital and Reserves</b>			
Authorised capital	13	35,000,000	35,000,000
Issued, subscribed and paid-up capital	13	35,000,000	35,000,000
Unrealised gain on remeasurement of investment at fair value through other comprehensive income		14,369,180	14,445,129
Revenue reserve - <i>unappropriated profits</i>		2,824,509	666,607
		<u>52,193,689</u>	<u>50,111,736</u>
<b>Non- Current Liabilities</b>			
Deferred taxation	14	-	41,205
<b>Current Liabilities</b>			
Trade and other payables	15	11,039,156	2,964,885
Provision for taxation	16	332,753	186,451
		<u>11,371,909</u>	<u>3,151,336</u>
<b>Total liabilities</b>		<u>11,371,909</u>	<u>3,192,541</u>
<b>Contingencies and commitments</b>	17		
<b>Total Equity and Liabilities</b>		<u>63,565,598</u>	<u>53,304,277</u>

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

  
**Chief Executive Officer**



  
**Director**

**NETWORTH SECURITIES LIMITED  
STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 ----- Rupees -----	2019
Operating revenue	18	4,896,155	4,466,070
Gain on sale of short term investments - net		-	73,089
Unrealised gain / (loss) on remeasurement of short term investments		1,891,934	(6,195,982)
Other income	19	2,297,115	1,771,792
		<u>9,085,204</u>	<u>114,969</u>
Administrative and operating expenses	20	(6,625,402)	(6,443,964)
Financial charges		(11,466)	(26,293)
Other expenses		(959)	(4,376)
<b>Profit / (loss) before taxation</b>		<u>2,447,377</u>	<u>(6,359,664)</u>
Taxation	21	(289,475)	(122,738)
<b>Profit / (loss) after taxation</b>		<u>2,157,902</u>	<u>(6,482,402)</u>

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

  
Chief Executive Officer

SHC

  
Director

**NETWORTH SECURITIES LIMITED  
STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019
	---- Rupees ----	
<b>Profit / (loss) after taxation</b>	<b>2,157,902</b>	<b>(6,482,402)</b>
<b>Other Comprehensive Income / (loss)</b>		
Items that will not be reclassified subsequently to statement of profit or loss		
Unrealised (loss) / gain on remeasurement of investment at fair value through other comprehensive income	<u>(75,949)</u>	<u>843,875</u>
<b>Total comprehensive income / (loss) for the year</b>	<u><b>2,081,953</b></u>	<u><b>(5,638,527)</b></u>

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

  
Chief Executive Officer

SHC

  
Director

**NETWORTH SECURITIES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019
	----- Rupees -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	2,447,377	(6,359,664)
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	603,282	753,762
Gain on sale of fixed assets	-	(182,660)
Finance cost	11,466	26,293
Unrealised (gain) / loss on remeasurement of short term investments	(1,891,934)	6,195,982
<b>PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>1,170,191</b>	<b>433,713</b>
<b>Effect on cash flow due to working capital changes</b>		
<b>Decrease / (increase) in current assets:</b>		
Trade debts	(589,933)	26,229,665
Loans and advances	12,000	197,000
Advance income tax and tax deducted at source	(280,325)	218,213
Sales tax refundable	(1,030)	-
<b>Increase / (decrease) in trade and other payables</b>	<b>8,074,271</b>	<b>(42,803,103)</b>
<b>CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>8,385,174</b>	<b>(15,724,512)</b>
Income tax paid	(186,451)	(827,002)
Finance cost paid	(11,466)	(26,293)
<b>Net cash generated from / (used in) operating activities</b>	<b>8,187,257</b>	<b>(16,577,807)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of fixed assets	-	400,000
Fixed capital expenditure made	(13,800)	(9,500)
<b>Net cash (used in) / generated from investing activities</b>	<b>(13,800)</b>	<b>390,500</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Short term loan from a director	-	(3,000,000)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>8,173,457</b>	<b>(19,187,307)</b>
<b>Cash and cash equivalents - at beginning of the year</b>	<b>17,390,229</b>	<b>36,577,536</b>
<b>Cash and cash equivalents - at end of the year</b>	<b>25,563,686</b>	<b>17,390,229</b>

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

  
**Chief Executive Officer**

**SHC**

  
**Director**

**NETWORTH SECURITIES LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2020**

	Reserves			Total
	Share capital	Unrealised gain on remeasurement of investments at FVTOCI	Unappropriated profit	
	----- Rupees -----			
<b>Balance as at July 01, 2018</b>	10,000,000	13,601,254	32,149,009	55,750,263
Ordinary shares of Rs.10 each issued as fully paid bonus shares	25,000,000	-	(25,000,000)	-
Total comprehensive loss for the year ended June 30, 2019				
Loss for the year	-	-	(6,482,402)	(6,482,402)
Other comprehensive income	-	843,875	-	843,875
<b>Balance as at June 30, 2019</b>	<b>35,000,000</b>	<b>14,445,129</b>	<b>666,607</b>	<b>50,111,736</b>
Total comprehensive income for the year ended June 30, 2020				
Profit for the year	-	-	2,157,902	2,157,902
Other comprehensive loss	-	(75,949)	-	(75,949)
<b>Balance as at June 30, 2020</b>	<b>35,000,000</b>	<b>14,369,180</b>	<b>2,824,509</b>	<b>52,193,689</b>

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

Chief Executive Officer



Director

**NETWORTH SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

Networth Securities Limited (the Company) is a public un-listed company incorporated in Pakistan on May 07, 2001 under the Companies Ordinance, 1984 (now the Companies Act, 2017). 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.211, LSE Building, Lahore.

**2. 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.

**3. BASIS OF MEASUREMENT**

**3.1 Accounting convention**

These financial statements have been prepared under the historical cost convention.

**3.2 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees, which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest Rupee unless otherwise specified.

**3.3 Changes in accounting standards, laws and interpretations**

**3.3.1 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.

**3.3.2 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.

### 3.4 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 and 4.2];
- (ii) Provision for taxation [note 4.8] and
- (iii) Provisions [note 4.6].

## 4. SUMMARY OF 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

These are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged over the useful life of the assets on systematic basis to income applying the reducing balance method at the rates specified in note 6 to the financial statements. Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged on additions during the year from the month in which property and equipment becomes available for use while no depreciation is charged from the month of disposal.

Minor renewals or replacements, maintenance, repairs, gains or losses on disposal of property and equipment are included in Profit & Loss currently. Major renewals and improvements are capitalized.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as net difference between the net disposal proceeds and carrying amount of the assets) is included in the statement of profit and loss in the year the asset is derecognized.

The carrying amounts of company's fixed assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated and impairment losses are recognized.

#### **4.2 Intangible assets**

- (a) Intangible assets acquired by the company are stated at cost less accumulated amortization and impairment losses, if any. Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization is charged to statement of profit and loss on a reducing balance method basis so as to write off the value of assets over their estimated useful lives. Amortization is charged on additions during the year from the month in which intangible assets become available for use while no amortization is charged from the month of deletions / disposals. Amortization methods, residual values and useful lives of assets are reviewed at each financial year end and adjusted if impact on amortization is significant.

Intangible assets having indefinite useful life are stated at cost less accumulated impairment losses, if any. An intangible asset is regarded as having an indefinite useful life, when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which asset is expected to generate net cash inflows for the company. An intangible asset with an indefinite useful life is not amortized. However, the carrying amount is reviewed at each reporting date or whenever there is an indication that the asset may be impaired, to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds the estimated recoverable amount, it is written down to its estimated recoverable amount.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in statement of profit and loss when the asset is derecognized.

#### **(b) Trading Right Entitlement Certificate**

TREC certificate is considered to have indefinite useful life; hence, stated 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 LSE Financial Services Limited and Trading Right Entitlement Certificate (note 7.1). The carrying amount is reviewed at each reporting date to assess whether the asset is recorded in excess of their recoverable amounts, and when the carrying value exceed estimated recoverable amount, asset is written down to its estimated recoverable amount.

#### **4.3 Trade debts**

##### **Measurement**

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.

##### **Impairment**

These are classified at amortized cost and are initially recognised and measured at fair value of consideration receivable. The Company uses simplified approach for measuring the expected credit losses for all trade and other receivables based on lifetime expected credit losses. The Company has estimated the credit losses using a provision matrix with historical, current and forward looking assumptions. Debts considered irrecoverable are written off.

#### **4.4 Cash and cash equivalents**

Cash and cash equivalents are carried in the Statement of Financial Position at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash-in-hand and balances with banks.

#### **4.5 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.

#### 4.6 Provisions

Provisions are recognized 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.

#### 4.7 Revenue recognition

Revenue is recognized 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:

- (i) Brokerage income is accounted for on 'accrual basis'.
- (ii) Capital gains and losses on sale of investments are recorded on the date of sale.
- (iii) Dividend income is accounted for when the right of receipt is established.
- (iv) Income from bank deposit is recognized at effective yield on time proportion basis.
- (v) Income from marginal finance is recognized as and when such services are provided.

#### 4.8 Taxation

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantially enacted by the 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 finalized during the year.

##### Deferred

Deferred tax is recognized 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 recognized for all taxable temporary differences. Deferred tax asset is recognized 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 utilized.

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

#### 4.9 Financial instruments

##### (a) Investments and other financial assets

##### Classification

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 amortised cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

**Measurement**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**(b) 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.

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

Changes in the fair value of equity investments at fair value through profit or loss are recognised in other income/ (other expenses) in the statement of profit or loss as applicable.

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

**ii) 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.

**iii) 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.

**(iv) Impairment of financial assets**

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

**4.10 Off-setting of financial instruments**

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 recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

**6. OPERATING FIXED ASSETS - tangible**

Description	Furniture and Fittings	Vehicles	Office Equipments	Total
-----Rupees-----				
<b>Cost</b>				
Balance as at July 01, 2018	149,000	6,106,052	1,032,168	7,287,220
Additions during the year	-	-	9,500	9,500
Disposal	-	(1,109,060)	-	(1,109,060)
<b>Balance as at June 30, 2019</b>	<b>149,000</b>	<b>4,996,992</b>	<b>1,041,668</b>	<b>6,187,660</b>
Additions during the year	-	-	13,800	13,800
<b>Balance as at June 30, 2020</b>	<b>149,000</b>	<b>4,996,992</b>	<b>1,055,468</b>	<b>6,201,460</b>
<b>Depreciation</b>				
Balance as at July 01, 2018	79,259	2,389,221	625,602	3,094,082
Charge for the year	6,974	705,893	40,895	753,762
On disposal	-	(891,721)	-	(891,721)
<b>Balance as at June 30, 2019</b>	<b>86,233</b>	<b>2,203,393</b>	<b>666,497</b>	<b>2,956,123</b>
Charge for the year	6,277	558,720	38,285	603,282
<b>Balance as at June 30, 2020</b>	<b>92,510</b>	<b>2,762,113</b>	<b>704,782</b>	<b>3,559,405</b>
<b>Net Book Value June 30, 2019</b>	<b>62,767</b>	<b>2,793,599</b>	<b>375,171</b>	<b>3,231,537</b>
<b>Net Book Value June 30, 2020</b>	<b>56,490</b>	<b>2,234,879</b>	<b>350,686</b>	<b>2,642,055</b>
Depreciation Rate	10%	20%	10%	

7. INTANGIBLE ASSETS - COST	Note	2020 ----- Rupees -----	2019
Trading Right Entitlement Certificate	7.1	1,972,573	1,972,573
Stock Exchange Room on Leasehold right	7.2	1,000,000	1,000,000
		<u>2,972,573</u>	<u>2,972,573</u>
<p>7.1 In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act), the Company received Trading Right Entitlement Certificate (TREC) with indefinite useful life and equity shares of LSE Financial Services Ltd. (note 9) 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.</p>			
<p>7.2 This represents amount paid in April, 2001 to acquire the room on leasehold in Lahore Stock Exchange (LSE) Building from a previous member of LSE. The term of lease ends on March 31, 2091.</p>			
<p>7.3 Amortization is not charged on these assets, as these assets are regarded having indefinite useful life.</p>			
8. LONG TERM DEPOSITS		2020 ----- Rupees -----	2019
National Clearing Company Pakistan Limited (NCCPL)		400,000	400,000
Central Depository Company (CDC)		100,000	100,000
		<u>500,000</u>	<u>500,000</u>
9. LONG TERM INVESTMENT - FVTOCI			
Unquoted			
LSE Financial Services Limited 843,875 ordinary shares of Rs.10 each		4,710,834	4,710,834
Adjustment on remeasurement to fair value		14,369,180	14,445,129
		<u>19,080,014</u>	<u>19,155,963</u>
<p>9.1 These represent shares of Rs.10/- each of LSE Financial Services Limited received on Corporatization, demutualization and integration of LSE. 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.</p>			
10. TRADE DEBTS	Note	2020 ----- Rupees -----	2019
Unsecured - considered good	10.1	1,047,609	474,402
Less: provision for impairment		-	16,726
		<u>1,047,609</u>	<u>457,676</u>
<p>10.1 These trade debts are unsecured but considered good by the management. These mainly include Rs.0.686 million (2019: Rs.0.282 million) receivable from NCCPL.</p>			

11. **SHORT TERM INVESTMENT**  
- quoted measured at FVTPL

--- No. of shares ---		Name of the Company	Market value	
June 30, 2020	June 30, 2019		June 30, 2020	June 30, 2019
----- Rupees -----				
12,500	12,500	Crescent Steel and Allied Products Ltd.	568,750	472,250
20,000	20,000	D. G. Khan Cement Company. Ltd.	1,706,600	1,130,800
20,500	20,500	Engro Fertilizers Ltd.	1,235,740	1,311,385
500	500	Engro PowerGen Qadirpur Ltd.	10,110	10,235
9,879	9,879	Ittehad Chemicals Ltd.	260,312	266,338
23,500	23,500	Kohinoor Energy Ltd.	822,030	846,000
80,000	80,000	Mughal Iron and Steel Industry Ltd.	3,190,400	2,012,800
10,000	10,000	Nishat (Chunian) Ltd.	324,500	350,200
10,000	10,000	Nishat Mills Ltd.	780,100	933,400
5,000	5,000	Saif Textile Mills Ltd.	72,350	47,800
22,500	15,000	Tariq Glass Industry Ltd.	1,451,700	1,149,450
<b>214,379</b>	<b>206,879</b>		<b>10,422,592</b>	<b>8,530,658</b>

11.1 As at June 30, 2020, shares having value of Rs.7.207 million are pledged with a NCCL.

12. **CASH AND BANK BALANCES**

2020 2019

---- Rupees ----

Cash at banks on:

Current accounts:

- house accounts

328,320 103,487

- clients accounts

600,000 292,224

**928,320 395,711**

Deposit accounts:

- house accounts

**14,652,292** 14,161,123

- clients accounts

**9,983,074** 2,833,395

**24,635,366** 16,994,518

**25,563,686** 17,390,229

13. **SHARE CAPITAL**

13.1 **Authorized capital**

2020	2019		2020	2019
<b>3,500,000</b>	<b>3,500,000</b>	Ordinary shares of Rs.10 each	<b>35,000,000</b>	<b>35,000,000</b>

13.2 **Issued, subscribed and paid-up capital**

10,000	10,000	Ordinary shares of Rs.10 each issued for cash	100,000	100,000
990,000	990,000	Ordinary shares of Rs.10 each consideration other than cash	9,900,000	9,900,000
2,500,000	2,500,000	Ordinary shares of Rs.10 each issued as fully paid bonus shares	25,000,000	25,000,000
<b>3,500,000</b>	<b>3,500,000</b>		<b>35,000,000</b>	<b>35,000,000</b>

14. DEFERRED TAXATION		2020	2019
This is composed of following:		----- Rupees -----	
	Note		
<b>Deductible temporary difference arising in respect:</b>			
- accelerated tax depreciation allowances		(2,073)	45,888
<b>Deductible temporary differences arising in respect of:</b>			
- provision for doubtful debts		-	(4,683)
<b>Net deferred tax (assets) / liability</b>		<u>(2,073)</u>	<u>41,205</u>
<b>15. TRADE AND OTHER PAYABLES</b>			
Payable to clients	15.1	10,757,571	2,721,680
Accrued expenses		281,585	243,205
		<u>11,039,156</u>	<u>2,964,885</u>
15.1 Current years figure included Rs.1.205 million payable to Mrs. Aisha Amer (director), Rs.1.115 million payable to Mrs. Sadia Omar (director) and Rs.8.441 thousand payable to Mrs. Omar Khalil (director).			
<b>16. PROVISION FOR TAXATION</b>			
		2020	2019
		----- Rupees -----	
Opening balance		186,451	827,001
Add: provision made during the year- current		332,753	186,451
		<u>519,204</u>	1,013,452
Less: adjusted against completed assessment		(186,451)	(827,001)
		<u>332,753</u>	<u>186,451</u>
16.1 Provision for current year includes mainly tax on dividend income under section 150 of the Income Tax Ordinance, 2001.			
16.2 Income tax returns of the Company have been filed upto the tax year 2019 i.e. accounting year ended June 30, 2019.			
<b>17. CONTINGENCIES AND COMMITMENTS</b>			
17.1 There was no known contingent liability as at June 30, 2020 and June 30, 2019.			
17.2 No commitments were outstanding as at June 30, 2020 and June 30, 2019.			
<b>18. OPERATING REVENUE</b>			
		2020	2019
		----- Rupees -----	
Commission income		4,245,664	3,763,333
Less: federal excise duty		(585,609)	(519,080)
		<u>3,660,055</u>	<u>3,244,253</u>
Dividend income		1,236,100	1,221,817
		<u>4,896,155</u>	<u>4,466,070</u>
<b>19. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Profit on bank deposits		2,228,989	1,412,550
<b>Income from assets other than financial assets</b>			
Gain on sale of fixed assets		-	182,660
Reversal of provision for impairment in trade debts		16,726	-
Others		51,400	176,582
		<u>2,297,115</u>	<u>1,771,792</u>

20. ADMINISTRATIVE AND OPERATING EXPENSES		2020	2019
		---- Rupees ----	
Directors' remuneration	25	3,406,000	2,796,000
Staff salaries and allowances		1,060,726	1,118,239
Postage, telephone and internet expenses		175,253	182,010
Electricity expenses		84,987	75,228
Printing and stationery		19,015	18,220
Entertainment		125,381	160,367
Travelling and Conveyance		-	77,370
Vehicles running & maintenance		211,460	166,210
Rent, rates and taxes		37,063	27,824
Repairs and maintenance		47,208	47,208
Legal & professional charges		45,000	45,000
CDC expenses - net		118,699	123,173
Auditors' remuneration	20.1	133,320	126,000
Fees and subscription		454,999	581,149
Depreciation	6	603,282	753,762
Other office expenses		100,693	143,388
Insurance		2,316	2,816
		<u>6,625,402</u>	<u>6,443,964</u>
<b>20.1 Auditors' remuneration</b>			
Statutory audit fee & certification		121,220	115,500
Short provision - last year		12,100	10,500
		<u>133,320</u>	<u>126,000</u>
<b>21. TAXATION</b>			
Current		332,753	186,451
Deferred		(43,278)	(63,713)
		<u>289,475</u>	<u>122,738</u>
<b>22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES</b>			
<b>22.1 Financial Risk Factors</b>			

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 minimize 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.

**22.2 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.

**a) 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 it to any currency risk.

**b) 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 does not expose it to any significant interest rate risk except for return on deposit accounts.

**c) 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.

**22.3 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 trade debts, advances, investments and balances with banks. To manage exposure to credit risk in respect of trade debts, 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	19,080,014	19,155,963
Long term deposits	500,000	500,000
Short term investments	10,422,592	8,530,658
Trade receivables	1,047,609	457,676
Loans and advances	183,000	195,000
Bank balances	25,563,686	17,390,229
	<u>56,796,901</u>	<u>46,229,526</u>

**22.4 Liquidity risk**

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

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

Particulars	Carrying amount	Contractual cash flows	Less than 1 year
	----- Rupees -----		
<b>As at June 30, 2020</b>			
Trade and other payables	<u>11,039,156</u>	<u>11,039,156</u>	<u>11,039,156</u>
<b>As at June 30, 2019</b>			
Trade and other payables	<u>2,964,885</u>	<u>2,964,885</u>	<u>2,964,885</u>

**22.5 Fair value hierarchy**

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

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

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

	Level 1	Level 3
	----- Rupees -----	
<b>June 30, 2020</b>		
<b>Assets</b>		
Long term investment	-	<u>19,080,014</u>
Short term investments	<u>10,422,592</u>	<u>-</u>
<b>June 30, 2019</b>		
<b>Assets</b>		
Long term investment	-	<u>19,155,963</u>
Short term investments	<u>8,530,658</u>	<u>-</u>

**22.6 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.

## 22.7 Financial instruments by category

	As at June 30, 2020			As at June 30, 2019				
	Amortised cost	At fair value through profit or loss	At fair value through OCI	Total	Amortised cost	At fair value through profit or loss	At fair value through OCI	Total
Financial assets as per statement of financial position	----- Rupees -----			----- Rupees -----				
Long term investment	-	-	19,080,014	19,080,014	-	-	19,155,963	-
Long term deposits	500,000	-	-	500,000	500,000	-	-	500,000
Trade debts	1,047,609	-	-	1,047,609	474,402	-	-	474,402
Loans and advances	183,000	-	-	183,000	195,000	-	-	195,000
Short term investment	-	10,422,592	-	10,422,592	-	8,530,658	-	8,530,658
Cash and bank balances	25,563,686	-	-	25,563,686	17,390,229	-	-	17,390,229
	<b>27,294,295</b>	<b>10,422,592</b>	<b>19,080,014</b>	<b>56,796,901</b>	<b>18,559,631</b>	<b>8,530,658</b>	<b>19,155,963</b>	<b>27,090,289</b>

### Financial liabilities as per statement of financial position

Trade and other payables

### Financial liabilities measured at amortised cost

----- Rupees -----	
2020	2019
<b>11,039,156</b>	<b>2,964,885</b>

## 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 externally imposed capital requirements.

## 24. TRANSACTIONS WITH RELATED PARTIES

There were no transactions executed with the related parties during the year except for payment of remuneration to the Chief Executive and directors of the Company (note 25) and normal trading activity carried out by the directors.

**25. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS**

Particulars	Chief Executive		Directors	
	2019	2018	2019	2018
	----- Rupees -----			
Managerial remuneration	1,200,000	924,000	2,206,000	1,425,000
Number of persons	1	1	3	2

**26. PATTERN OF SHAREHOLDING**

As at June 30, 2019, Mr. Khalil Ahmad Malik (Chief Executive) held more than 5% of the issued, subscribed and paid-up capital of the Company.

**27. NUMBER OF EMPLOYEES**

Total number of employees as at June 30, 2020 were three (2019: four) and their average number during the year was four (2019: four)

**28. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS**

These financial statements were authorized for issue on **14 SEP 2020** by the board of directors of the Company.

**29. GENERAL**

- Figures in the financial statements have been rounded-off to the nearest Rupee.
- 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